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INTERNATIONAL ECONOMIC RELATIONS

No. 36



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USSR-CEMA TRADE

COMMUNIQUE OF CEMA EXECUTIVE COMMITTEE ANNOUNCED

Moscow EKONOMICHESKAYA GAZETA in Russian No 18, Apr 82 p 19

[Unattributed Communique on the 103d Session of the CEMA Executive Committee]

[Text] On 20-22 April 1982, the 103d Session of the CEMA Executive Committee was held in Moscow.

Participating in the session were representatives of the nations to the Executive Committee and the deputy heads of governments: A. Lukanov for Bulgaria, J. Marjai for Hungary, Huynh Tan Phat for Vietnam, G. Weiss for the GDR, A. Esquivel for Cuba, M. Peljee for Mongolia, A. Madej for Poland, N. Constantin for Romania, N. V. Talyzin for the USSR and R. Rohlicek for the CSSR.

In accord with the agreement between CEMA and Yugoslavia, the member of the Union Executive Council and permanent Yugoslav representative to CEMA, S. Gligorijevic participated in the work of the Executive Committee.

The CEMA secretary N. V. Faddeyev also participated in the session.

The session was chaired by the Hungarian representative to the Executive Committee J. Marjai.

The Executive Committee reviewed the materials which are to be brought up for discussion at the next, 36th CEMA Session, in particular the report on CEMA activities over the year since the 25th CEMA Session.

Also reviewed was the draft program for the coordinating of the national economic plans of the CEMA nations for 1986-1990. Also discussed were questions of cooperation in developing and widely using microprocessor equipment in the national economy as well as specialized production of a new generation of color TV equipment.

Proceeding from the tasks posed by the communist and workers parties to more fully satisfy the needs of the population in the CEMA countries for industrial consumer goods, the Executive Committee approved measures to further develop cooperation in this area. The nations will cooperate in expanding the assortment and improving the quality of products from the light and woodworking industries as well as supplying these sectors with high grade raw products, materials and modern equipment.

The Executive Committee noted the positive role of the mutual consultation held in the CEMA bodies on the basic questions of economic and scientific-technical policy. Measures were taken to further improve this work.

The session reviewed the course of implementing the general agreement on cooperation in developing new capacity to produce nickel- and cobalt-containing products based on the Las Camariocas deposits in Cuba.

Also examined were other questions of economic cooperation.

The Executive Committee session was held in a situation of friendship and comradely mutual understanding.

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ACADEMICIAN BOGOMOLOV INTERVIEWED ON CEMA COOPERATION

Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA in Russian No 4, Apr 82 pp 181-187

[Unattributed interview with Academician O. T. Bogomolov, director of the Institute for the Economics of the World Socialist System under the USSR Academy of Sciences: "Socialism and the World Economy"]

[Text] Along with ordinary reviews, the editors of EKO [EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA] have decided to try out the approach of talking with the author of an interesting book.¹ Below we publish an interview with Academician O. T. Bogomolov, Director of the Institute for the Economics of the World Socialist System under the USSR Academy of Sciences.

EKO: Oleg Timofeyevich [Bogomolov], could you not describe the impact of the socialist world economy on the world's economy as a whole?

O. T. Bogomolov: In a brief conversation it would be hard to fully deal with such a vast subject and I would like to take up only certain aspects related to the most acute problems.

One of the most important consequences from the birth of the world socialist economy was the elimination of capitalism's monopoly on all world economic relations. The share of the CEMA nations in world trade is still relatively slight (9 percent of the world trade which is approximately equal to their share of the world's population, but significantly less than the share in world industrial product). But the very fact of the availability of an alternative market with a highly developed industry and strong scientific-technical potential has brought the developing nations out of their subordinate and dependent position and have made it possible to widely employ the advantages of equal and mutually advantageous economic relations with the socialist countries. Benefiting from this circumstance (without mentioning the elimination of imperialism's monopoly in world politics which is even more important), the liberated nations in their relations with the imperialist states are able to achieve more equal conditions evermore successfully.

¹ O. T. Bogomolov, "Strany sotsializma v mezhdunarodnom razdeleniya truda" [The Socialist Nations in the International Division of Labor], Moscow, Nauka, 1980, 367 pages.

The socialist world has had a growing stabilizing influence on the world economy. The world economy for around 100 years has already existed as a unified whole and the degree of integration among its individual parts has grown. At the end of the last century this was expressed in the formation of a unified world market and the monopolizing of its individual spheres. At present added to this is the rise of a growing range of so-called global problems: energy, ecological, food, the use of the resources in the world ocean and others. A solution to these is impossible on a level of the individual nations and requires the world-wide coordinating of economic activity. Equal rights, mutual advantage and planning are possible only in cooperation with the CEMA nations which comprise one-tenth of the world's population. The absence of such coordination in the remaining part of the world, and this is the fault of capitalism, has led to the rise of global crises such as energy, ecological and others although there are sufficient natural resources, scientific knowledge and technical capability in mankind for crisis-free development.

Although the world socialist economy comprises a smaller portion of the world one, it cannot completely overcome such crises. But the socialist world undoubtedly mitigates their effect. Let us take the energy problem which at present is probably the most acute. Of the four main industrial zones (the CEMA nations, Western Europe, the United States and Japan), only in the CEMA countries have the difficulties in energy supply not assumed a crisis nature, with the closing down and bankruptcy of enterprises, unemployment and so forth.

Moreover, the CEMA countries are contributing to the partial stabilization of the energy situation in the remaining part of the world, since they have been the only industrial zone which does not burden the world energy market with its demand. From their own production and mutual cooperation they virtually fully cover the needs for fuel and energy while a certain amount of these resources is delivered to the capitalist nations and a proposal has been made to increase deliveries, for example, of gas. At the same time, the EEC nations obtain from outside up to 60 percent of the fuel consumed by them, including almost 90 percent of the oil. The U.S. which possesses fully sufficient explored reserves for complete self-sufficiency in energy sources, has created an economic structure whereby it must import virtually one-half of the consumed oil and since the start of the energy crisis these imports have risen.

Under the conditions of the economic crisis and the aggravated conditions on the world market, the CEMA nations offer a number of capitalist states a vast and stable market for their products. On this market, for example, Japan sells over 10 percent of its exports of metalworking equipment and more than 13 percent of its rolled steel. We have every reason to assert that economic relations with us are equally advantageous and as necessary to the capitalist nations as they are to us.

Along with this social effect on world economic relations, one other important effect is also influential, namely our cooperation has shown mankind history's first example of a new type of international relations, including foreign economic ones, based on equality, mutual benefit and mutual aid all controlled on a planned basis.

EKO: Is it now possible to "reverse" the first question, that is, how does the world economy influence the economy of the CEMA nations?

O. T. Bogomolov: There is no single answer for your question. Here there are both positive aspects but also negative consequences. It is essential to try to overcome or reduce them. The world socialist economy does have such possibilities.

The successful use of trading in licenses helps us overcome the technical lags in individual sectors. Thus, the Volga Motor Vehicle Plant built on the basis of an Italian license not only provided more passenger cars for the domestic Soviet market than all our other motor vehicle plants taken together, but has also become a major exporter of vehicles both to the CEMA nations and to the nonsocialist countries. However, many difficulties also arise in purchasing a license for such major production. New technology requires new materials, parts and preassembled articles. For example, at the Volga Motor Vehicle Plant we have begun to stamp out body parts several times faster than at our other plants. This required more plastic sheet steel and the developing of its production required much effort from our metallurgical plants. In a word, the purchase of just one new production method in automotive building required the creation of scores of new production methods in related sectors. In the given instance the capabilities of Soviet industry were soberly assessed and the advantages of socialist integration were also widely used. The creation of new production was coordinated with the other socialist nations and at present the Volga Motor Vehicle Plant receives around 10 percent of the preassembled articles from the European CEMA nations and Yugoslavia.

Unfortunately, examples of less successful decisions are also known. For example, at present the Polish press has written a good deal about the reasons for the failure of the idea which when conceived 10 years ago did not seem so bad and was based on the mass purchasing of Western licenses. It was assumed that having created a number of modern enterprises in a short period of time it would then be possible to enter the world market using their products and thus recoup the expenditures for construction and pay back the obtained credits. The purchases were made but the concluding part of the deal did not occur as planned.

In the first place, not all the purchases were successful. The capitalists are in no rush to create competitors and in a number of instances sold less than the best models as innovations. Moreover, planned control over the course of the purchases was violated and the scale of them was beyond the nation. Capital investments rose sharply and many new enterprises were not built on time. Finally, little consideration was given to the possibility of Polish industry to supply the new production with domestically-produced raw products, materials and spare parts. Nor was their proper coordination with the fraternal nations. As a result during the first years of this strategy foreign exchange was spent on purchasing new equipment and production methods. Subsequently, the structure of expenditures for imports became much less effective. The new enterprises required the constant importing of materials and preassembled products also from the capitalist countries. Instead of gaining foreign exchange, it was lost. When money was lacking for the imports and they had to be limited by administrative means, the normal course of production was disrupted.

Of course, such a course of events should not lead to a refusal to purchase licenses generally. For a modern developed economy, autarkic development is impossible and it would lead to enormous losses and inevitable falling behind. But each decision to purchase a license for new technology should be well thought out, economically sound and if possible coordinated with the fraternal countries.

EKO: In your book, a good deal of space has been given to one other complicated problem and in the course of solving this problem the socialist world feels the impact of the capitalist economy. This is the problem of prices for reciprocal trade between the CEMA nations.

O. T. Bogomolov: In using the prices of the world market which is responsible for around 94 percent of world trade turnover, the CEMA nations do not copy them blindly, but sometimes make very substantial adjustments to one side or another. These complex and at times acute questions are always resolved on the basis of the socialist principles of mutual aid, equality and planning.

The commodity structure for the foreign trade of a majority of the world's nations is out of balance. Virtually each nation acts either predominantly as the purchaser of raw materials in exchange for finished products or predominantly as the purchaser of finished products in exchange for raw materials. For this reason, the question of the price ratios for the raw material goods and finished articles is the main question down to which the entire struggle around world prices ultimately comes.

In recent years, the positions of the liberated nations which are the main suppliers of raw materials to the world market have improved. However, if one takes the movement of prices over an extended period, then one will see that their ratio has changed not too substantially in favor of the sellers of raw materials. This change has not compensated for their long plundering by the industrially developed capitalist nations. If the 1950 price indexes are taken as 100, then in 1978, the price index for raw materials was 352 and for finished product, 329.

In individual years the fluctuations have been much sharper and each such jump has cost the workers of one or another group of nations dearly. However the CEMA nations have always endeavored to change contractual prices in reciprocal trade more gradually. Thus, in 1950-1951, when the prices for raw materials on world markets rose by 1.5-2-fold because of the American aggression in Korea, on the CEMA market "stop prices" were introduced on the level of 1940-1950 world prices and these remained in effect until 1957.

After 1951, on the world market prices began to change in favor of the suppliers of finished products and this lasted for around two decades. In 1960, in comparison with 1950, the price index for raw materials equaled 90 and for finished articles, 121. The widest price gap was reached in 1970, when the indexes were, respectively, 98 and 145. But the CEMA nations on their own market slowed down this process. The specific prices for 1966-1970 were based on average world prices in 1960-1964, when the gap was not so great. During this period the raw material purchasing nations (within CEMA these are predominantly the European nations) undoubtedly benefited but the price shift on the CEMA market was not so abrupt as on the world market.

The most dramatic and probably unprecedented shift in world prices in world history occurred in the 1970's and is presently continuing. And never before have the prices on the CEMA market differed from the world ones as greatly as they do now, in mitigating the blows of world competition. Let me again give data from the book. Although they are somewhat out of date, the basic trend is expressed in them rather clearly.

If one takes the 1970 level as 100, then the world price index for fuel, raw materials and metals in 1977 was 289 and for machinery and equipment, 157. If we transferred these prices completely to mutual relations, the nations purchasing raw materials would have to deliver almost double the amount of finished products in comparison with 7 years ago to pay for their purchases. However, since 1975, a system of

sliding prices has been introduced. As a result, in the same year of 1977, the index of contractual prices for the CEMA nations for fuel, raw materials and metal was only 185, or 104 points lower than the world level. At the same time, the index of contractual prices for machinery and equipment reached 151, just 6 points lower than the world level. The gap between the two price indexes was 34 points instead of 132 on the world market. If one considers that in the 1960's the price ratio changed in the opposite direction, it becomes clear that its change over a long period was not too great. In truth, over a brief segment of time measured in one or two five-year plans, such a change creates rather difficult problems but they are incomparable with those catastrophic consequences which are caused by price jumps on the world capitalist market.

EKO: At present, no one would doubt that the change in world price proportions in the 1970's is not a brief market fluctuation but rather reflects a long-term natural trend. The capitalist world has adapted very painfully to the breaking up of customary proportions. This is explained by the fact that there the decisions are dictated not by the interests of society but rather by the interests of the monopolies. How have the CEMA nations adjusted to the new situation?

O. T. Bogomolov: Of course, behind all the political and at times speculative aspects in which the movement of prices on the world market abounds, it is essential to see the profound economic primary causes. The consumption of primary material resources in the world has recently grown at a pace which in essence is beyond the power of the world economy and is irrational. According to the data of a group of UN experts headed by W. Leontief, over the last 30 years of the 20th century, the world has consumed 3-4-fold more mineral raw materials than in all the previous history of civilization. Such growth cannot continue long. It has already necessitated the utilizing of less efficient deposits and this entails a rapid rise in expenditures for producing fuel and raw materials. It is impossible to surmount this trend by technical progress in just the extracting sectors along. Technical progress should aid more actively in the saving of resources in the subsequent areas of the reproduction chain, that is, where the raw products, fuel and materials are consumed. Modern science and technology have enormous unused opportunities in this area.

This is why the CEMA nations have decisively set out on what the 26th CPSU Congress has described as an "economic economy." For example, the long-term specific program adopted by the CEMA nations for fuel, raw materials and energy proceeds primarily from the need of the greatest possible savings of petroleum as the scarcest resource which is virtually irreplaceable for petrochemistry. This will be aided by the creation of a new sector for the secondary refining of oil and by a gradual reduction in the consumption of oil for purely energy needs where it is now predominantly employed, although it can be replaced by other types of energy sources. In the decade which is beginning, we will actively replace oil products by gas, coal and most importantly by uranium "fuel." The scale of the program adopted by the fraternal nations for the 1980's to jointly build nuclear power plants is unprecedented. The specialized enterprises to be created for producing equipment for the nuclear power plants (Atom-mash [Nuclear Machinery] and the Izhorsk Plant in the USSR and the Skoda Plant in Pilsen, Czechoslovakia) have no equals in the world.

There is the equally important and difficult matter of changing the entire national economic structure of the CEMA countries in the aim of reducing the energy and

material intensiveness of the products. This is a part of the general strategy to shift the economy to a policy of intensification. This presently is the core of economic policy in the industrially developed nations of the socialist commonwealth.

EKO: The limited scope and very nature of an interview do not make it possible to bring up here all the sections of the monograph. The readers who desire to become more closely acquainted with the world socialist economy will find in the book a full and highly skilled analysis of the urgent problems involved in the development of the socialist world economy.

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USSR-CEMA TRADE

WIDER GOALS OF CEMA INTEGRATION EXAMINED

Moscow EKONOMICHESKIYE NAUKI in Russian No 3, Mar 82 pp 47-51

[Article by Candidate of Economic Sciences G. Mateyev (Sofia, Bulgaria): "On the Question of the Goals, Tasks and Principles in the Complete Integration of the Socialist Countries"]

[Text] The ties and relationships among the nations of the world socialist system at the present stage are characterized by trends toward broadening and deepening the integration processes in all spheres of sociopolitical, economic and cultural life. There is a general integration of the socialist nations underway and this presently acts as one of the basic objective patterns in the development of the world socialist system and primarily the relationships between the CEMA nations.

The process of the broadening and deepening of the international socialist division of labor within CEMA at present has reached a development whereby the particular problems of local international specialization and cooperation [subcontracting] within the individual types of production and even entire sectors of material production are rising to a qualitatively new level. The problem has arisen of forming international intersectorial complexes which will solve both current production problems of international production specialization and cooperation (in all forms) as well as the strategic tasks linked to the carrying out of scientific-technical progress, increased productivity of social labor and production efficiency as well as to the prospects of developing these complexes (in the more distant future) into a single whole. Such economic, scientific-technical and organizational tasks go far beyond the confines of traditional production cooperation and integration. In this regard Yu. S. Shiryayev rightly comments that "the process of the growing of the system of relationships for relatively autonomously functioning national economic complexes into relationships of international socialist labor cooperation (both on the macroeconomic and microeconomic level) represents one of the most common (general) trends in the development of the international socialist division of labor."¹

At the present stage, this division of labor has led to the intertwining of the production structures in the national economic systems and to their ever-closer integration.

J. Aroyo is right when he writes that as a result of integration a new socioeconomic aggregate, an international community, is formed (or will be formed). A new production organism arises with a specific material base, economic relations, management institutions and other elements inherent to the given social system.² Integration processes in an economy are the leading element in the

all-round merging of the socialist community nations. Such integration depends to the greatest degree upon the advances in deepening economic cooperation between these nations. Of course, one must also not neglect the importance of the feedback, that is, the effect of the processes of the general merging on economic integration. Practice has shown that the realization of integration measures as envisaged in the Comprehensive program for the further deepening and improving of cooperation and for the development of Socialist Economic Integration Among the CEMA Nations, in the co-ordinated plan of multilateral integration measures and in the long-range specific cooperation programs gives rise to a number of complicated problems, including those which go beyond the limits of "pure economics," namely: the need for a significantly more direct (in comparison with the previous periods) coordination of production with scientific-technical cooperation and integration; the need for merging the national planning and management mechanisms as a prerequisite for improving the mechanism for managing the integration processes within CEMA; the need for broadening and deepening political cooperation among the nations, considering the elucidation and overcoming of contradictions which arise between national and international interests in the process of economic integration and so forth. These problems can be successfully solved solely on the basis of an all-round merging of the socialist nations and this is ensured by the objective patterns of social development and by the active, conscious activities of the communist and worker parties and the governments of the fraternal nations which successfully cooperate for the sake of the common interests of communist construction.

The process of the all-round merging of the socialist commonwealth countries, in being broader in scope and content in comparison with integration processes in the economy, also has significantly broader goals, tasks and principles.³ These are directly reflected in the foreign policy of the socialist community nations and are of decisive significance for forming the strategic directions for developing and deepening their unity and solidarity.

The attention of researchers concerned with the problems of the all-round merging of the socialist nations until recently has been focused primarily on elucidating the essence and content of this process. Yet it is becoming evermore apparent that along with these undoubtedly important theoretical-methodological problems, the questions of the goals, aims and principles of the all-round merging also merit special attention. Naturally, it is essential to differentiate the subjective and objective bases of this process. Its objective nature derives from the essence of the socialist social system and the particular features in which the process of the internationalizing of economic, political and cultural life in the socialist nations are manifested. This does not negate the necessity of actively using in cooperation practices the actions of a subjective nature which are oriented at certain goals, tasks and principles.

In accord with the global nature of the process of the all-round merging of the socialist nations, its basic aim is determined by the content of the most important objective pattern in the development of the world socialist system, that is, by the organic combination of the flourishing of the socialist nations and the stronger sovereignty of the socialist states with the broadening and deepening of their all-round ties and cooperation as well as by the fuller forming of common elements in their politics, economics and social life.⁴ This most general goal discloses the essential, basic demands which require further concretizing from the viewpoint of the

various spheres of integration and the stages of the given process. Its control by the communist and worker parties and by the governments of the socialist states requires the forming of an extended system of subgoals for the all-round merging aimed at controlling this process.

Economic cooperation and integration, as a result of the development of productive forces and production relations in the individual nations and in the commonwealth as a whole, encompass a broad range of different-natured international relations in the area of production and the formation and development of political and economic structures in the socialist nations, science and technology. The system of the subgoals of the international socialist division of labor and socialist economic integration is constructed in accord with the different nature of the international economic relations. The links and reciprocal dependence of the designated subgoals are determined primarily by practical needs and by real socioeconomic problems which the socialist countries resolve within a foreseeable historic period. With such an approach, the need to create a material and technical base needed for a more or less simultaneous transition of the nations to communism within one historic age operates primarily as the strategic subgoal for all-round merging of these nations. This strategic subgoal can be concretized. Its most general area is the accelerated development of the productive forces and the improving of international socialist economic relations; the evening out of the economic and scientific-technical development levels of the nation. This is achieved by broadening the scale and increasing the technical level of production, by introducing a progressive organization and method of production; by improving the structure of the national economic complexes of the nations, by raising social labor productivity and production efficiency within the national economies and the world socialist economy as a whole; by improving the mechanism for managing international socialist economic relations. The designated strategic subgoal is oriented at satisfying the growing needs of the public for consumer goods and services and at raising the cultural level of the peoples in the socialist countries.

The concretizing of the strategic subgoal of the all-round merging of the socialist nations in the economic area is linked to the development of the urgent needs of the socialist system and to its economic competition with capitalism. Here we have in mind the strengthening of the defense capabilities of the world socialist system and ensuring a balance of forces in the military area in accord with the goals and principles of peaceful coexistence between states with different social systems. This also involves the strengthening of positions of the socialist countries in the world economy and the ensuring of their victory in the economic competition with capitalism.

In their aggregate, the subgoals of the all-round merging in the economic area mark out a broad range of tasks which the socialist countries carry out comprehensively, in a close reciprocal link and dependence. A comprehensive approach to carrying out these tasks is one of the most characteristic distinguishing features in the development of the all-round political, socioeconomic and cultural relations of the CEMA countries.

In accord with the above-designated global aim and system of subgoals in the economic area, the basic task in the all-round merging of the countries can be defined as the need for a comprehensive and multilateral coordination of effective forms and areas

for integration in the following areas: the development and deepening of international specialization in the national economic complexes; the further accelerated development of the productive forces and the strengthening of socialist production relations in each country and in the world socialist economy as a whole; the increased standard of living and cultural level of the peoples; the strengthening of the political unity among the socialist countries in the struggle for peace, democracy and social progress in accord with the policy of peaceful coexistence between states with different social systems; the development of solidarity among the socialist nations along the path of building a developed socialist society and communism.

Under present-day conditions, the specific tasks of the all-round merging of the socialist commonwealth nations in the political and economic areas are changing particularly dynamically. The objective basis for these changes must be sought both in the dynamics of the internal development of these nations as well as in the involved international situation under which this is carried out. The basic trend in the development of international relations in the world is the result of a change in the actual balance of forces in favor of socialism and in favor of the democratic, anticolonial and antiimperialist movement. At the 26th CPSU Congress, Comrade L. I. Brezhnev pointed out that, in endeavoring to impede this objective historical process, "the imperialists and their supporters systematically carry out hostile campaigns against the socialist nations. They blacken and distort everything occurring in these nations. For them the main thing is to turn the people against socialism."⁵ Under these conditions an important historical task in the area of political cooperation and merging is to strengthen the solidarity and unity of the socialist commonwealth nations, to defend the vital interests of socialism and to struggle for disarmament and peaceful coexistence among states with different social systems. Comrade Todor Zhivkov in a speech made at a session of the National Council of the Fatherland Front on 11 February 1980 pointed out that under present conditions the questions of peace and disarmament not only have not lost their importance, but, on the contrary, are assuming an evermore urgent and immediate nature. At present, more than at any other time, it is essential to strengthen the interaction of all forces which are acting for peaceful cooperation and detente both in the political and military areas. The fraternal nations see this as their immediate task and Bulgaria sees this as its duty.⁶

The economic tasks in the all-round merging of the CEMA nations consists in a further development and deepening of cooperation and integration by building the material and technical base for a developed socialist society and for communism in the individual nations and in the commonwealth as a whole. The carrying out of these tasks is closely tied to implementing the Comprehensive Program for Further Deepening and Improving Cooperation and for Developing Socialist Economic Integration Among the CEMA Nations as well as the long-range specific cooperation programs (LRSCP). More specific tasks arise with the carrying out of bilateral agreements on economic and scientific-technical cooperation among the socialist nations as well as in line with the implementing of bilateral general agreements on production specialization and cooperation. Among these tasks a particularly significant place is held by the continuous improvement in the mechanism for implementing the measures outlined in the LRSCP for deepening international production specialization and cooperation. This aspect of joint activities by the socialist commonwealth nations goes beyond the limits of production cooperation and gradually grows into their close interaction in the area of foreign economic policy and more precisely in the area of developing and improving the mechanism for controlling integration processes. Here we have a direct tie with the

solution to a broad range of specific economic organizational problems in the area of bringing together the national mechanisms of national economic planning and management.

Another task for bilateral economic cooperation and integration arises in line with the coordinating of the national economic plans of the countries for the 1981-1985 period. The solution to it presupposes the need for a comprehensive and all-round coordination of the entire complex system of measures to be carried out within the specific forms of economic cooperation and integration. The coordinating of the national economic plans means that these measures should be comprehensively provided for not only in resource terms but also organizational ones. The nations of the socialist economic commonwealth for the first time are solving an economic organizational problem of such complexity and scale.

Within the development of bilateral integration ties among the CIMA countries, a special role is played by economic relations with the USSR as its powerful and integrally developed economy operates as a natural center of integration processes. The evermore active development and deepening of such a merging of the socialist nations with the USSR becomes a prerequisite and condition for successfully reconciling the bilateral and multilateral aspects of economic integration in the socialist commonwealth.

The rise of the world socialist system marked the beginning to the formation of new principles for international relations between socialist states. These relations conform to the nature of the socialist social system. In this system a central place is held by the principle of socialist internationalism. It reflects not only the content but also the development trends of these relations and presupposes a reconciling of the national and international interests of the nations in the process of building a developed socialist society and communism. The principle of complete equality and respect for national sovereignty is an essential condition and secure guarantee for such a reconciliation. The mechanism of cooperation among the CIMA countries in all areas has been based on this principle.

All-round cooperation of these nations aids actively in the accelerated and effective socioeconomic, scientific-technical and cultural development of each nation and the entire commonwealth. The nature of the socialist social system and the unity of goals and tasks in social development under socialism exclude the possibility of the rise of antagonistic contradictions between the nations. The practice of their relationships has convincingly confirmed this theoretical tenet of Marxism-Leninism and has set an example of truly democratic and mutually advantageous international cooperation.

In examining the question of the goals, tasks and principles of an all-round merging of the socialist nations on a general theoretical level, it is also essential to consider that it is of immediate practical significance as well. The active creative and organizational activities of the communist and workers parties and the governments of the socialist nations is based upon a scientific analysis of the objective laws of social development and on carrying out specific measures in the area of international cooperation on its basis. The formation and subsequent realization of the goals, tasks and principles of developing socialist international relations are the central, connecting link between the initial and final stages of this complex and many-sided practical activity.

FOOTNOTES

- ¹ Yu. S. Shiryayev, "Sotsialisticheskaya integratsiya i mezhdunarodnoye razdeleniya truda" [Socialist Integration and the International Division of Labor], Moscow, 1978, p 45.
- ² See: J. Aroyo, "The Merging of the Socialist Nations--A Pattern in the World Socialist System," MEZHDUNARODNI OTNOSHENIYA, No 2, 1978, pp 12-13.
- ³ The revived scientific debate which has occurred in recent years on the question of the content of the process of the all-round merging of the socialist commonwealth nations has disclosed the global nature of this process and its significance as one of the basic patterns in the development of the world socialist system. Thus, it has been pointed out that "socialist economic integration is the main material basis for the all-round merging of the fraternal nations, but it, certainly, in no way exhausts the entire content of their growing ties. Of particularly important significance is interparty cooperation. Its determining role in establishing the range of political, economic, ideological and cultural ties between the fraternal states fully conforms to the increased leading role of the ruling Marxist-Leninist parties in all areas of building a new society" (B. N. Ladygin, O. K. Rybakov and V. I. Sedov, "Sotsialisticheskoye sodruzhestvo na novom etape" [The Socialist Commonwealth at a New Stage], Moscow, 1976, p 33).
- ⁴ See: "Materialy XXV s"yezda KPSS" [Materials of the 25th CPSU Congress], Moscow, 1976, p 6.
- ⁵ See: "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1981, p 9.
- ⁶ See: T. Zhivkov, "Bulgariva e za mira, za razvedyavaneto, za sutrudnichestvoto. Rech pred zasedanieto na NS na OF na 11 fevruari 1980 g." [Bulgaria is for Peace, Disarmament and Cooperation. Speech at a Session of the National Council of the Fatherland Front on 11 February 1980," Sofia, 1980, p 29.

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IMPACT OF PRODUCTION COOPERATION IN CEMA ECONOMY VIEWED

Moscow EKONOMICHESKIYE NAUKI in Russian No 3, Mar 82 pp 52-56

[Article by Candidate of Economic Sciences S. Sil'vestrov: "International Production Cooperation of the CEMA Nations"]

[Text] The experience acquired by the socialist commonwealth nations indicates that production cooperation carried out by them has manifested itself in the practice of socialist integration, the role and scale of which will grow even more over the long run. As was pointed out by Comrade L. I. Brezhnev in the Accountability Report of the Party Central Committee to the 26th Congress, "the CPSU and the other fraternal parties are setting out on a course of turning the coming two five-year plans into a period of intensive production and scientific-technical cooperation among the socialist nations."¹

The various aspects of international production cooperation have been widely taken up in the economic literature of the socialist commonwealth nations. However, in this area of studying integration processes, many unclear and debated questions still remain, particularly over the interpretation of the immediate nature of international cooperation ties and their broadening on a basis of international intrasectorial production specialization. Bearing in mind the need to make headway in solving these problems, we would point out first of all that the technical and economic division of labor goes beyond national limits as the productive courses are internationalized. There has been the internationalization of the direct production relations. Here it is important to emphasize that cooperation not mediated by trade is the result of the high development level of the international division of labor. To a certain degree the processes occurring in the international division of labor are identical to those which are being carried out in the social division of labor within a nation. In the initial stages of the division of labor, commodity exchange and commodity circulation are the starting point for the international division of labor in which the individual states or their authorized organizations act as separate commodity producers. International trade gradually creates firm, constantly renewed ties between the various partners. The previously short-term foreign trade deals develop into long-term relations which have a growing impact on the division of labor between the nations and within the national economies and types of production operating for the foreign market.

International production specialization is realized in the foreign trade ties which fix the specialization and existing production structure of the cooperating nations. International cooperation in its initial forms arose in the system of foreign trade

ties which expanded with the deepening of production specialization and it bears all the external features of foreign trade deals, in being manifested in modified forms due to them. In developing through various intermediate and mixed forms, international production cooperation over time to an ever-greater degree has become distinct from foreign trade ties and has assumed the distinguishing traits and features of an independent form of economic cooperation.² At the same time, there has been a synchronizing and drawing together of the cooperation and specialization processes. Viewed in their unity, they represent complementary forms of the international division of labor which are derived and secondary in relation to the similar processes of the social division of labor in the individual nations. The unity of their development and interaction is achieved only within the limits of the international economic system as a whole formed by cooperation ties on the basis of the developed forms of international intrasectorial specialization.

With the very high level of internationalization and the technical-economic division of labor, international production cooperation begins to directly influence the production structure and the direction of specialization among the partners, in replacing and complementing foreign trade in this role. At the given stage of the development of cooperation, the deliveries of products on the basis of cooperation deals assume a purposeful nature, being oriented at a specific consumer. In contrast to foreign trade, such cooperation ties are not directly aimed at satisfying the needs of the market for one or another product but rather are directly subordinate to the specific economic and production-technological needs of the interrelated contractual partners. Commodity circulation ceases to fulfill the function of an independent phase in the economic relations between the partners. The reasons for the participation in such deals also change. The product is not produced for a market merely to acquire a certain amount of money. The main goal becomes the development of long-term ties with a specific partner under certain conditions which ensure the deliveries of technologically interrelated articles needed for the rhythmic operation of internal production, for increasing its technical level or for saving expenditures. The effect of such exchange in activity is evidenced initially in the production sphere and later in the circulation sphere.

The internationalization of the technical and economic division of labor strengthens the tendency to deepen and complicate the macro- and microstructures of the international division of labor; the isolating in them of the general, particular and individual levels and their corresponding forms of cooperation ties becomes even more essential. The microeconomic level of cooperation is that sphere in the realization of international production cooperation which discloses the greatest reserves for its development. The direct economic and production-technical ties between the production and research partner enterprises arise on this same level.³ Here it is possible methodologically to draw a hypothetical boundary between foreign trade ties and cooperation relations in production, certainly without putting one in opposition to the other. In comparing these ties with international production cooperation, the conclusion arises that on the macroeconomic level it is more difficult to isolate "pure" cooperation ties, as these are intertwined with the traditional forms of foreign economic cooperation and do not have a permanent nature determined by the close link between product sales and production activities and by the coordinating of the various economic functions of the partners in forming the unified economic and production-technical interests.

International cooperation ties cannot be completely identified with intrasectorial ties of the national type and in their development are more subject to the influence of economic competition and market factors. The activities of a significant number of partners and subcontractors supplying intermediate articles or rendering services is unified into a single whole in the hierarchy of cooperation ties in which the external forms assume the appearance of a relatively closed production and economic system. The proportions of exchange within the existing cooperation system to a relatively lesser degree than in ordinary international trade depend upon foreign market conditions and to a greater degree these proportions are determined by production conditions within the system itself (the quality and technical level of the articles and production, the organization and discipline of the mutual partnership, the reliability of the production infrastructure and so forth). Cooperation based on product specialization and the exchange of finished products is more subject to the effect of conditions external to it, in particular to the influence of demand and particularly the commodity-monetary factors such as: the choice of the base price, the type of payments, exchange rates and conversion factors. Here a change in the external factors can bring about a reorganization of the cooperation system and the internal conditions for its functioning in contrast to a closed system which enters into economic ties on a basis of profound intrasectorial part or production specialization. Cooperation arising temporarily for solving problems of joint investment and construction of large integration projects must also be put among the cooperation systems which depend to a large degree on socioeconomic and production conditions external to it.

The chief condition for the existence of long-range forms of cooperation is the ensuring of its flexibility. Rigidity of cooperation ties should not be an end in itself and harm economic maneuverability. The basic prerequisites which guarantee the mobility of any sufficiently developed and systematically organized cooperation are: an internal base for scientific and technical development of production; the organizing of current and operational developmental planning; a high level of information on the condition of the market, innovations, the production of an alternative product as well as on the requirements of permanent consumers; the presence of reserves in the basic production capacity and an economically justified supply of finished products.

In considering the conditions of joint activities, the partners can combine diverse forms of cooperation, for example, joint production and a subcontract. But in any event, sufficient adaptability to rapid changes in the economic situation should be provided for. From this viewpoint it is probably impossible to unconditionally view, as is done in the economic literature, an incomplete load on production capacity as a factor for reducing economic effectiveness. In cooperation the stability of ties is the reverse side of dynamicness which is inconceivable without providing for certain temporarily free capacity determined considering production profitability for each partner. The constant replacement of the produced assortment or the single output of additional end product objects under the pressure of demand, the organizing of experimental production and other similar actions--all of this presupposes the rapid reorganization and setting up of production. The higher the development level of cooperation, the more rigid the internal organization and the more acute and complex the problem of maintaining mobility in the entire system and each cooperating partner.

The development of international production cooperation in the community of CEMA nations expresses the action and conscious, planned use of the economic laws of socialism in the international sphere. It is particularly advisable to draw attention to the fact that an accelerated pace in the development of economic life is also expressed in the universal law of the saving of time. In international economic relations this is manifested in a change in the pace and scale of internationalizing the economy. "In the category of internationalization in a general form," writes Academician G. Kohlmai (GDR), "are reflected the objective, essential and permanent trends of social development."⁴ The saving of time is the chief function of production cooperation due to the simultaneous carrying out of different production operations in manufacturing the end product.

The development of cooperation from the simplest forms to complex international production-economic systems based upon the intertwining, integration and synchronization of the partner's reproduction processes causes the following: a shorter time for production and its preparatory stages; a shorter time for commodity circulation and its reduction to the time needed for in-kind exchange which more and more depends upon the infrastructure of the cooperation system; the reduction in the socially necessary working time in producing the end product as a consequence of changes in the average social conditions for production activities. Working time holds the leading place in the saving of time and in disclosing the essence of international production cooperation as a long-range trend in the development of international economic relations and the sphere of action of the law of production internationalization. This time which is spent on manufacturing the end and intermediate products by the cooperative partners in its socially normal amount is formed, although considering the external factors, predominantly on a basis of the typical internal conditions which exist in the cooperation systems. Involved in the forming of the latter are the production and scientific-technical potentials of a certain level of development as established by the cooperating partners for achieving the end goals of cooperation.

In systematizing the conditions for forming the amount of value in commodity production based on private ownership, V. I. Lenin isolated the two main functions of working time: as a measure of the amount of the commodity's value and as a measure of the proportions of product exchange. Under these conditions, working time is manifested in value and its modified forms. A distorted action of the law of the saving of time is obtained but this, however, is a necessary condition for its realization. As a result "the working time which is socially necessary for the production of products makes headway through the random and constantly fluctuating exchange conditions for the products of private work only by coercion as a result of a regulating natural law..."⁵ With a rise in the level of the real socialization of labor and production and with the development of the directly social nature of labor in cooperation, the second function of working time moves to the forefront. This time in and of itself plays the leading role in forming the reproduction proportions and in determining the participation of each partner in the aggregate economic result of cooperation. The action of the very law of the saving of time within the cooperation systems becomes more strictly determined and is based on closer cause-and-effect ties of the subsequent states of cooperation. As a result of the reduced stochasticity in the system's development, the controllability of cooperation processes and the possibility of the planned control of proportions in production are increased.

The development of long-term production cooperation leads to a situation where prices for the products of intracooperation exchange tend toward the average expenditures of working time in the system. The role of this factor grows in forming the price for the initial intermediate product and then for the end articles of the system. The prices set in accord with the socially necessary expenditures in essence bring to the partners a norm for production expenditures which is acceptable under the conditions of the corresponding cooperation system. The movement of socially necessary time develops under the influence of several groups of factors which determine the labor productivity of the contracting partners. These include: the scientific-technical level of production; worker skills, the social organization of labor (the level of its concentration and specialization); the natural and geographic conditions of production; internal cost factors such as the consumer properties and quality of the product; the interchangeability of the product, consideration of its scarcity or overproduction.

Theoretically it may happen that under such conditions the principles of price formation for a product entering intracooperation circulation can differ from the price formation principles in foreign trade chiefly in the choice of the base. The realizing of a social tie between the cooperating partners using a price formation system based essentially on world prices tends to run contrary to the trends in the development of the cooperation system's functions. With the aid of the principles existing in cooperation, economic conditions external to it can be shifted into cooperation. Being introduced, these disrupt the integrity of the formed relations. Two criteria arise for the proportionality of the intracooperation production process and production expenditures: the economic conditions for the production and sales of the articles of the leading producers on certain world markets noticeably differ from the economic conditions within production cooperation.

Here, in truth, an essential stipulation is wise: the use of world prices as a base is only possible in terms of the end product with which the partners jointly or each individually enter the international markets. Competition with an analogous product from other producers or with alternative articles through world market prices indirectly influences the internal economic conditions of the cooperation system and, consequently, the level of average working time expenditures of each intermediate product.

The development of permanent long-term economic and technological ties between the cooperating partners engenders centripetal forces around the cooperation systems; industrial-territorial centers are formed on this basis. Their appearance and interaction makes the international production cooperation of the CEMA nations even more complicated and places even higher demands on its planned management.

FOOTNOTES

¹ "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1981, p. 7.

Cooperation in the form of barter or compensation deals is an example of an intermediate, transitional form which is widespread in cooperation practices. This type of cooperation is at the same time a variety of trade deals. The latter

differ from conventional forms of the buying and selling of goods employed in foreign trade in the fact that provision is made for reciprocal deliveries of agreed-upon amounts of goods. Here foreign exchange does not play an independent role. Barter deals dominate in those areas of trade where demand significantly exceeds supply.

³ For this see: Yu. Kormnov, "International Cooperation and the Production-Export Profile," *PLANOVoye Khozyaystvo*, No 1, 1979; Yu. F. Kormnov, "Spetsializatsiya i kooperatsiya stran SEV" [Specialization and Cooperation of the CEMA Nations], Moscow, 1972, p 90.

⁴ G. Kohlmai, "Obobshchestvleniye i integratsiya pri sotsializme" [Socialization and Integration Under Socialism], Moscow, 1976, p 130.

⁵ K. Marx and F. Engels, "Soch." [Works], 2d Edition, Vol 23, p 85.

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USSR-CEMA TRADE

FINANCIAL ASPECTS OF CEMA COOPERATION DETAILED

International Bank Operations in 1981

Moscow EKONOMICHESKAYA GAZETA in Russian No 22, May 82 p 19

[Article by B. M. Lukashkov, advisor of the MBES: "Operations of the MBES in 1981"]

[Text] The 55th session held in Moscow of the Council of the International Bank for Economic Cooperation [MBES] reviewed and approved the report of the MBES Board on the bank's operations in 1981 and the balance sheet of 1 January 1982. The report of the auditing commission was approved and its new membership was appointed for the coming 2 years; a decision was adopted on profit distribution for 1981. The council also reviewed a number of other questions concerning current MBES activities.

Below we publish an article by the advisor of the MBES, B. M. Lukashkov, on the results of bank operations in 1981.

The MBES has been operating successfully for more than 18 years. At present, its members include 10 countries: Bulgaria, Hungary, Vietnam, the GDR, Cuba, Mongolia, Poland, Romania, the Soviet Union and Czechoslovakia.

Being a collective bank of the socialist commonwealth nations, the MBES operates in accord with the socialist principles of cooperation on a basis of respect for the state sovereignty of the nations, their independence and national interests, non-interference into internal affairs, complete equality, mutual advantage and comradely mutual aid.

The MBES has been granted wide powers. Briefly they come down to the following: the organization and carrying out of multilateral clearing operations between the bank member nations and their crediting in transferable rubles, the accumulating and holding of the free assets of the nations in transferable rubles and the carrying out of generally accepted operations in freely convertible currency and in gold.

The charter capital of the MBES has been set at a total of 305.3 million transferable rubles. The share of contributions by each member nation to the capital was set proportionately to the proportional amount of the volume of its exports in the reciprocal trade of the bank member nations. According to agreement reached between

the nations, the contributions to the capital were made at an amount of 40 percent of the established total and presently comprise 121.7 million transferable rubles and one-half of this amount has been paid in transferable rubles and one-half in freely convertible currency and in gold. At the recently held 55th council session, the reserve capital of the MBES was increased from 151.9 to 164 million transferable rubles.

In accord with the established tasks, in 1981 the MBES successfully carried out clearing, credit and other operations both in transferable rubles and in convertible currency, thereby contributing to realizing the national economic development plans of the member nations. The MBES has continued to improve its operations in close collaboration with the banks of the member nations and has taken measures to extend and strengthen professional relations with partner banks in the socialist and other states of the world.

Last year MBES operations in transferable rubles continue to increase on a basis of the development of reciprocal foreign economic relations among the bank member nations. The total volume of operations in transferable rubles increased by 18.2 percent in comparison with 1980 and reached 208.4 billion transferable rubles. The total of reciprocal clearances by the member nations through the MBES increased by 14.1 percent in comparison with the previous year and reached 140.2 billion convertible rubles. 93.4 percent of all clearances between the member nations in transferable rubles was due to trade payments.

For transferable rubles the MBES member nations under trade agreements supply one another with various machinery, equipment and other commodities including such important ones for the economy as oil, nonferrous and ferrous metals, lumber and lumber materials and cotton. The money obtained by one or another nation in transferable rubles is employed to pay for imports from other MBES member nations. In concluding trade and other economic agreements, each bank member nation is obliged to ensure equality or, in other words, the balancing of receipts and payments with all other bank participating nations in a period up to 3 years.

The system of clearing payments in transferable rubles is closely linked to the crediting system. The MBES provides two types of credit to the member nations: term and payment. Term credit (a maximum term of 3 years) satisfies all the planning needs of the CEMA member nations arising in the course of their economic cooperation. As the need arises, the MBES member nations may use term bank credit for covering a temporary excess of imports over exports, for expanding trade, for situations related to the seasonal nature of exports, for equalizing the balance of payments in reciprocal clearing payments and in other circumstances.

During the past year, the authorized banks of the member nations were granted credit totaling 11.7 billion transferable rubles or 21 percent more than the level in the previous year. This was caused mainly by a growth of term credit. The proportional amount of payment credit in the total credits granted was 70.4 percent in comparison with 82.8 percent in 1980. The average turnover rate for this credit was 20 days. In the total amount of credits granted there was an increased share in credits extended to Vietnam, Cuba and Mongolia at preferential, lower interest rates.

Balance Sheet of the MBES (in transferable rubles)

| Assets | on 1 January | | Liabilities | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | | | on 1 January | |
| | 1981 | 1982 | 1981 | 1982 |
| 1. Cash and other monies: | | | | |
| a) On current accounts and in cash | 20,725,193 | 27,755,203 | 121,645,760 | 121,730,960 |
| b) In deposits | 2,206,138,488 | 1,675,558,516 | 145,577,574 | 151,925,109 |
| | 2,226,863,681 | 1,703,313,719 | 267,223,334 | 273,656,069 |
| 2. Credits extended | 2,673,192,846 | 4,463,651,203 | | |
| 3. Bank property | 697,916 | 701,975 | | |
| 4. Other assets | 83,563,547 | 69,503,079 | | |
| TOTAL | 4,984,317,990 | 6,237,169,976 | | |
| | | | | |
| 1. Bank capital: | | | | |
| a) Charter capital | | | | |
| 305,262,000 paid up part | | | 121,645,760 | 121,730,960 |
| b) Reserve capital | | | 145,577,574 | 151,925,109 |
| | | | 267,223,334 | 273,656,069 |
| 2. Deposits: | | | | |
| a) Current accounts | | | 730,608,618 | 692,548,642 |
| b) Deposits | | | 3,371,166,581 | 4,615,124,802 |
| | | | 4,101,775,199 | 5,307,673,444 |
| 3. Credits received | | | 490,350,435 | 487,467,334 |
| 4. Other liabilities | | | 94,074,168 | 136,468,981 |
| 5. Net profit | | | 30,894,854 | 31,904,148 |
| TOTAL | 4,984,317,990 | 6,237,169,976 | 4,984,317,990 | 6,237,169,976 |

The dynamics of the credit and payment operations in the MBES in transferable rubles can be seen from the following figures. The volume of credits in transferable rubles extended by the MBES to the member nation banks increased from 11.7 billion rubles in 1981 from 9.7 billion in 1980 and 4.1 billion in 1975. The amount of payments in transferable rubles between the member nations handled by the MBES rose from 66.9 billion rubles in 1975 to 122.9 billion in 1980 and 140.2 billion in 1981.

The amount of credit investments by the bank at the end of 1981 increased by 85.1 percent in comparison with the start of the year, or by 3.9 billion transferable rubles. This was caused by an increased demand for a number of authorized banks for credits stemming from the reciprocal foreign trade of the member nations.

The member nations keep their free assets in transferable rubles on current accounts and in the form of term deposits. For these assets the bank pays from 1.5 to 4 percent per annum depending upon the period for which the assets are received.

The servicing of economic relationships among the MBES member nations is the main but not the sole aspect of bank operations. In the aim of assisting the member nations in developing their economic relations with other states, the bank actively carries out operations accepted in international practice in freely convertible currency. In contrast from the operations in transferable rubles, these operations are primarily of a financial nature, that is, as a rule, they are not linked to any specific trade or other agreements.

MBES operations in convertible currencies were carried out in 1981 under the conditions of a further complicating of the international currency markets and, in particular, increased instability in the development of the currency exchange rates. Under this situation, in determining its policy in the area of operations in convertible currency, the bank paid special attention to ensure a closer coordinating of asset and liability operations both in terms of the currencies and in terms of dates. It also endeavored to ensure most efficient use of its own assets. Under the conditions of the extremely high interest rates, the balance of funds attracted by the bank in convertible currency somewhat declined and at the end of the report year was a total equivalent to 2.1 billion transferable rubles.

The credit and payment operations of the MBES underwent further development. In 1981, the total volume of its operations exceeded the previous year's level by 19 percent and was 274.9 billion transferable rubles, that is, each day the bank handles almost 1.1 billion transferable rubles in various operations.

The total of the balance sheet rose by more than 25 percent and exceeded 6.2 billion transferable rubles at the end of 1981. Bank profits increased by 3.3 percent in comparison with 1980 and were 31.9 million transferable rubles. The basic portion of this profit was distributed between the MBES member nations and the balance was transferred to the reserve capital.

The experience of the more than 18 years of MBES operations has shown that it is a dependable instrument for the international socialist currency system and that the existing payment and crediting system in transferable rubles dependably ensures the uninterrupted servicing of the constantly growing amount of various forms of economic collaboration between the socialist community nations.

Economic Mechanism in CEMA Countries

Moscow FINANSY SSSR in Russian No 5, May 82 pp 64-69

[Article by Candidate of Economic Sciences Ye. V. Galova: "Basic Directions in Improving the Financial Mechanism in the CEMA Member Nations"]

[Text] The congresses of the communist and workers parties from the socialist commonwealth states held in 1979-1981 pointed out that the CEMA member nations over the last 5 years have significantly increased the scale of social production. Due to this there was a further rise in the material and cultural standard of living of the people. Their economic and scientific-technical potential increased and in terms of the growth rate of product and national income, they were almost 2-fold ahead of the developed capitalist states in the 1970's. National income as a whole for the CEMA nations increased by 66 percent over the decade and the volume of industrial product rose by 84 percent. The growth of national income for the individual countries over this same period was characterized by the following data: 196 percent for Bulgaria, 159 percent for Hungary and the GDR, 241 percent for Romania, 162 percent for the USSR and 157 percent for Czechoslovakia.¹

Developing the most rapidly were those sectors which determine scientific and technical progress, that is, machine building, electronics and the chemical industry. In the capital investment area there was an evermore noticeable structural shift toward a rise in the share of investment for the reconstruction and modernization of production while the amount of incomplete production declined. In agriculture, the degree of work mechanization and the level of farming practices increased, the area of reclaimed land rose and industrial production methods were introduced.

At the same time, during the previous five-year plan, the CEMA nations had to solve difficult problems and overcome definite objective difficulties related to a reduction in the increase of labor resources, a decline in domestic and geographically easily accessible raw material supplies, the extremely unfavorable weather conditions of individual years and a deterioration of the world economic situation.

The listed and other factors necessitated the elaboration and implementation of a system of economic, organizational and social measures to ensure a rise in the technical level of production and an improvement in the methods of economic management.

The formation of the new economic mechanism to a large degree is related to the trends for the fuller utilization of commodity-monetary relations and the corresponding management instruments (prices, profits, credit and so forth) in all the CEMA nations.

The measures adopted in the previous decade to improve the economic management methods in the CEMA countries were aimed at increasing production efficiency and work quality and focused the economic organizations on a more rapid conversion to intensive management methods.

¹ The statistical annual "Narodnoye khozyaystvo SSSR v 1980 g." [The USSR National Economy in 1980], Moscow, Finansy i Statistika, 1981.

Substantial changes were made in the financial and credit mechanism of the national economies. In all the CEMA nations a decisive turn was made toward strengthening cost accounting as the only possible method which would encourage a reduction in production expenditures and a rise in production profitability as well as strengthen enterprise responsibility for the financial aspect of operations.

In the CEMA countries great importance is given to strengthening economy and this has involved the elaboration of new norms and limits for the consumption of raw product, material and labor resources and the improving of prices, primarily wholesale ones.

Many nations have made noticeable changes in the system of evaluation indicators as well as in the relationships of the enterprises with the state budget. Specific measures have been undertaken to improve the financial methods of controlling foreign trade activities.

The congresses held by the fraternal parties of the CEMA nations have outlined a new strategy of economic growth for the coming years. At the 35th CEMA Session, Comrade N. A. Tikhonov said: "Our basic aim is to increase end product without counting on a substantial rise in the labor and material resources."²

In the new five-year plan, all the CEMA nations will continue the policy of improving the national economic management methods and above all strengthening cost accounting and economy, raising the cost accounting responsibility of the enterprises and improving planning. The effectiveness of the financial and credit levers will be increased and foreign economic relations will undergo further development.

In 1981-1985, Bulgaria will improve economic management primarily by those measures which ensure the comprehensive functioning of the new economic mechanism and a greater impact of it on accelerating scientific and technical progress, increasing efficiency and work quality in all levels. Recently, in this fraternal nation significant efforts have been made to create more or less equal conditions for applying the economic mechanism in the various economic organizations and their subdivisions. All of them are already operating according to standard criteria and rules. The purchasing prices for agricultural product have been brought into conformity with the socially necessary expenditures and corrections will also be made in the wholesale prices for products of other sectors and types of activities. Specific rules have been worked out for applying the economic mechanism in the nonproduction sphere.

As was pointed out at the 12th BCP [Bulgarian Communist Party] Congress, the tasks of the Eighth Five-Year Plan impose new demands on the financial system. In line with this the nation will improve the mechanism for income and profit distribution in the national economy as well as the methodology of financial and budget planning. There is to be an improvement in the use of the basic financial levers such as the summary financial balance, the budget, credit, taxes, standards, limits and so forth.

Gross income (profit) is to remain the basic criterion for the operation of each labor collective. An important feature in the new system of gross income

² EKONOMICHESKAYA GAZETA, No 28, 1981.

distribution is that wages are to be the resulting (residual) amount and the cost accounting responsibility of the leadership in the economic bodies is to be manifested through this amount.

During the Eighth Five-Year Plan, measures are to be taken to halt the production of unprofitable products for export and gradually eliminate the budget subsidies for producing products destined for the domestic market.

The task has been set of reorganizing the state budget and improving financial planning on the basis of long-term norms. Two groups of norms are to be introduced: 1) Informational for determining and establishing financial resources; 2) Regulating which determine the relationships of the economic organizations with the financial and credit system. At present the enterprises are guided by such obligatory norms as the unified statewide budget payment rates, the obligatory minimum deductions from profit into own funds as well as the distribution of amortization deductions.

Credits and interest should become an active instrument for practically realizing the basic proportions established in the plan and budget, for rapidly introducing the achievements of scientific and technical progress and ensuring a high multiplier effect. The bank must operate not only as a contractual agent but also as the shareholder of the economic organizations and along with them bear material liability for the end production results.

In the Eighth Five-Year Plan, great attention is to be given to improving the style and methods of economic leadership. The economic and social results of the activities in the economic systems managed by the managerial personnel and the ways and methods for achieving these results should become the criterion for evaluating this personnel.

The task has been set of broadening the sphere of use and improving the mechanism for the voluntary associating of economic organizations into economic companies for joint economic activities.

In the new five-year plan, great attention is to be given to the development and deepening of foreign economic ties. For this, there are provisions to accelerate the reorganization of the foreign and domestic trade system considering a closer and more effective linking of production with the markets. Here a further deepening and broadening of international socialist integration with the CEMA nations is to be the cornerstone of Bulgarian foreign economic policy.

Substantial measures to improve the financial and credit mechanism are also planned in Hungary.

The decisions of the 12th MSZMP [Hungarian Socialist Workers Party] Congress stated that one of the most important tasks in the Sixth Five-Year Plan is an improvement in the nation's foreign trade balance and balance of payments. Here the determining role is played by utilizing the factors for an internal equilibrium and this can be achieved mainly by better coordinating budget expenditures and receipts, the commodity stocks and solvent demand, the labor force and jobs.

In the Sixth Five-Year Plan in the economic area the task has been set of bringing about the greatest possible rise in production efficiency, increasing its modernization, improving product structure and quality and raising profitability. Great attention is to be given to developing profitable production. The task has been set of gradually curtailing unprofitable production. In defining the basic areas of economic policy for 1981-1985, in Hungary chief attention was given to developing a system of economic regulators and incentives which should primarily help to develop the efficiently operating enterprises and cooperatives and encourage them to make better use of the reserves and achieve more profitable production.

In the aim of creating better conditions for the action of economic laws and encouraging the national running of the economy, in 1980, Hungary carried out a fundamental revision of wholesale prices. In 1981-1985, the policy of regulating economic processes using the price system will be continued.

As was pointed out at the 12th MSZMP Congress, particularly important for Hungary is multilateral cooperation with the socialist nations, with them responsible for 50 percent of the foreign trade turnover. In cooperation with the CEMA nations, Hungary will endeavor to more widely develop such ties as carrying out long-term specific programs, production specialization and cooperation, the creating of joint enterprises and scientific-technical integration, including the carrying out of joint research and the exchange of licenses and technology. All of this should help to improve the production structure and raise the competitiveness of the produced product.

A great deal is being done in the GDR in the area of further improving the financial mechanism. As was pointed out at the Tenth SEDP [Socialist United Party of Germany] Congress, the carrying out of the designated tasks requires an even more effective linking of improved management, planning, balancing and economic incentives with the tasks of ensuring a steady high growth of the economy, the wide use of achievements in scientific and technical progress and a ubiquitous improvement in work quality and efficiency. The main instruments remain the five-year and annual national economic plans which are the sole documents which should fully consider all the basic relationships in the national economy.

As in the previous five-year plan, a basic place is to be assigned to such indicators as "commodity product," "net product" and "expenditures of basic materials per 100 marks of commodity product."

The combines are to remain the basic element in the management of industry, construction, transportation and communications however they need further improvement as a unified whole. By this one understands the specialization and cooperation of the combines according to production specialties. They have been confronted with the task of responding sensitively to the needs of their own national economy, exports and the supply of the public. During the current five-year plan, district ["bezirk"] level combines are to be created in the aim of increasing the level of consumer services for the public on the spot.

In 1981-1985, the policy of a decisive change in the ratio between expenditures and results will be continued primarily by encouraging a decline in costs. This will make it possible to further strengthen cost accounting.

Great importance is being given to the quality of work in the area of price formation and a decline in expenditures for industrial product is being encouraged by using prices. State policy in the area of consumer prices is to remain unchanged, stable prices will be maintained, however for new and high-quality articles they will be set in such a manner as to cover the expenditures and bring a profit for the national economy.

As a result of the greater orientation in the GDR on quality growth factors, in the 1980's, the role of the financial plan will be increased as an instrument of management and control and accounting for production outlays and profit. Particular significance is to be given to the planned development and use of such categories of cost accounting as outlays, profits, price, credit and interest so that they have a strong stimulating effect on economic growth, on improving the production and export structure, on the more efficient use of fixed capital and on saving the material and labor expenditures.

The SED and the GDR government give great importance to further deepening cooperation in the area of foreign trade with the CEMA countries. In this regard during the current five-year plan, the task is to be carried out of increasing the output of profitable high-quality export products. An important step in the direction of improving management and planning in the foreign trade area is the dual subordination of the foreign trade enterprises with the strict observance of the state foreign trade monopoly and the foreign exchange monopoly.

The improvement is continuing in the national economic management and planning systems in Mongolia. In accord with the decisions of the 17th MPRP [Mongolian People's Revolutionary Party] Congress, in 1976-1980, Mongolia did a good deal in this regard. The basic directions were elaborated for the nation's economic and social development over the decade.

In the republic, great attention is given to coordinating plans with the CEMA nations and primarily with the USSR.

The coordinating of the 1981-1985 five-year plan with all the CEMA countries was concluded ahead of time and successfully and the corresponding intergovernmental agreements were adopted. This created the necessary basis for the prompt compiling of a draft new five-year plan for the development of the Mongolian national economy and culture.

At the 18th MPRP Congress, the task was set of increasing the role of the five-year plan and measures were adopted to unswervingly fulfill the quotas for all indicators. In the previous 5 years (1976-1980), virtually all the enterprises and organizations were converted to the new system of planning and economic incentive. At present, work is being continued to further strengthen the economic independence of the enterprises and organizations while the system of the national economic planning indicators and criteria for evaluating their activities are being improved.

Great importance is given to the skillful use of such economic levers as cost accounting, prices, profit, wages, finances and credit. At the 18th MPRP Congress, it was pointed out: "There must be a further improvement in the price formation system. Prices must more fully reflect the socially necessary expenditures, help to

strengthen cost accounting...and encourage increased production of new product types needed by the national economy and public."³

Like the other CEMA countries, Mongolia is continuing to improve the control of product quality considering the increased modern requirements. Particular attention is being paid to improving the quality of export products. The task of learning "to manage the process of improving quality" has been set for the executives of the ministries, associations and enterprises.

At the present stage of socialist construction in Mongolia, great importance is given to the development of science and to the broad introduction of scientific-technical achievements and advanced experience into production. Cooperation with the socialist nations and above all the USSR plays a major role in scientific development.

In Romania, the improvement of the economic mechanism is subordinate to the task of ensuring high economic growth rates, establishing the scientific and technical revolution in all areas and converting to a new quality of socioeconomic activity. The 12th RCP [Romanian Communist Party] Congress emphasized that in the new five-year plan (1981-1985), it was essential to accentuate not the extensive but rather the intensive development of the national economy and the full utilization of material and labor resources. The need was pointed out of decisively working in the direction of the unswerving application of the new economic and financial mechanism and ensuring all conditions for the activities of the economic and social organizations on a basis of the principles of self-management and cost accounting. It was pointed out that each enterprise should cover its expenditures from its own income, pay for the amounts provided by society, provide self-financing for internal activities, take an active part in creating the centralized resources of the state and create material incentive funds for the personnel in close relationship to the production results.

The new economic mechanism envisages a dependence of income on economic results not only for the workers but also for the leadership. Additional payment in the form of participation in profit is made only under the condition of selling the corresponding additional product.

At the present stage in the development of Romania, finances and credit play a special role. The financial and banking workers must ensure the normed functioning of the economic mechanism, a rise in the economic effectiveness of profit and profitability and the observing of strict economy and financial discipline. The task has been set of improving monetary circulation, strengthening the purchasing power of the national currency, improving the ratio between the leu and other currencies, ensuring further stability of production and delivery prices on a basis of reducing products costs. Work is being done to set the ratio between prices for basic products and finished commodities proceeding from the socially necessary expenditures and world market prices as well as from the need to rationally utilize raw products, materials and energy.

³ EKONOMICHESKAYA INFORMATSIYA [Economic Information], publication of the CEMA Secretariat, No 8, 1981, p 41.

In the preceding 5 years, definite measures were taken to increase the efficiency of economic exchange and the degree of selling Romanian articles on international markets, to strengthen the ratio between export and import prices as well as between the Romanian and other currencies. The 12th RCP Congress pointed to the need for a careful study of foreign market trends, the sale of domestic commodities at the corresponding prices and ensuring balanced trade.

In accord with the congress directives, Romania, as before, will widely develop co-operation with the CEMA nations and in particular such forms as joint construction, management and operation of industrial enterprises, the creation of mixed companies to export certain articles, joint construction of economic projects in other nations and so forth.

In the USSR during the 11th Five-Year Plan, the core of economic work is to be increased efficiency of activities in all national economic elements and on all management levels. A characteristic trait of the new five-year plan is the more rapid growth of the end national economic results in comparison with the increase in labor and material expenditures.

Considering the increased demands on the efficiency of economic activities at the present stage of communist construction, the 26th CPSU Congress set the task of increasing the role of the financial and credit levers in intensifying production, strengthening cost accounting and improving economy.

In recent years, the nation has done a good deal to improve the economic mechanism and better the forms and methods of managing industry, agriculture and construction. A transition is being made to two- and three-tiered management systems on the basis of creating industrial and production associations. The rights and functions of the ministries have been broadened. In accord with the Decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979, a range of measures is being carried out to improve the economic mechanism and to strengthen its impact on increasing production efficiency and work quality. Planning is being improved, cost accounting is being strengthened and material and moral incentives reinforced.

All planning work must be raised to a qualitatively new level and here basic attention should be focused on the key, long-range questions. "It is essential to see to it," emphasized Comrade N. A. Tikhonov, "that a realistic and well balanced plan becomes the firm foundation for all subsequent work in carrying out the decisions of the 26th Party Congress."⁴

Under present-day conditions great importance is given to developing cost accounting on the basis of the quotas of the five-year plan and the long-range economic norms as well as to improving price formation, crediting and financing. The entire system of economic levers and incentives should be actively used.

Particularly pertinent is the question of the greatest possible strengthening of economy in the national economy. Carrying out this policy will make it possible to consistently reduce production outlays and increase product profitability and it will

⁴ EKONOMICHESKAYA GAZETA, No 10, 1981, p 12.

Basic Indicators for Economic Development
of a Number of CEMA Countries in 1981-1985

| Countries | Increase in industrial product, % | Increase in national income, % |
|----------------|---|--------------------------------------|
| Bulgaria | 30-35 | 25-30 |
| Hungary | 19-22 | 14-17 |
| GDR | 31-33 | 28-30 |
| Mongolia | 52-58 | 38-41 |
| Romania | 52.4 | 41.1 |
| USSR | 26 | 18 |
| Czechoslovakia | 18.20 | 14-16 |

aid in increasing the monetary accumulation of the state. Considering the importance of this question, the CPSU Central Committee and the USSR Council of Ministers in 1981 adopted the Decree "On Strengthening Work in Savings and the Rational Use of Raw Product, Fuel - Energy and Other Material Resources."

For 1981-1985, the task has been set of significantly increasing the production of agriculture product on the basis of the greatest possible development of the entire agroindustrial production complex. Since 1981, a new procedure has been in effect for economically encouraging an increase in agricultural production. The material incentive fund on the sovkhoses is to be formed using stable rates depending upon the increase in production and the obtaining of a profit. There are plans to pay the kolkhozes and sovkhoses a surpayment amounting to 50 percent of the purchasing prices for selling products above the level achieved during the Tenth Five-Year Plan.

In fraternal Czechoslovakia, the basis for achieving the goals outlined for the Seventh Five-Year Plan is the converting of the economy to a path of intensive development, efficient structural transformations, the rational use of production potential, the highly economic use of all resources, the improving of management, the broad development of worker initiative and the more active involvement in socialist economic integration and the international division of labor.

The tasks raised by the 16th CPCZ [Czechoslovak Communist Party] Congress for the CSSR national economy require a significant increase in the effectiveness of planning and management activities on all levels.

In the 1970's, the nation carried out a number of individual changes in the economic management system aimed at strengthening the role of the quality indicators in planning and evaluating the achievements of the enterprises, at improving the planning of quotas in the area of science and technology, at increasing material incentives for the results obtained in exports and at creating prerequisites for more efficient management of the material relationships.

The 16th CPCZ Congress outlined the basic areas of work to improve national economic management. The Presidium of the CPCZ Central Committee and the CSSR government adopted the Decree "The Range of Measures to Improve the System of Planned National Economic Management after 1980." These measures were aimed at the efficient use of sources for intensive growth. The basic purpose of this document was to intensify the national economy, to consistently introduce the achievements of the scientific and technical revolution into practice, to effectively encourage efficient and high-quality labor and to create the best conditions for the all-round creative activeness of the people.

In order to bring about the required structural and qualitative changes in the economy, the elaboration of long-range plans and forecasts will be strengthened and these will take into account the broader involvement of the CSSR in implementing the long-range specific programs for cooperation, international specialization and subcontracting.

The five-year plan has been given the role of the chief instrument for implementing party policy. At the same time, there are plans to work out state-wide specific programs. These determine the basic areas of scientific and technical development as well as the quotas to rationally utilize material resources and increase export capability.

In "The Range of Measures" great attention has been given to the problems of introducing advanced technology and improving product quality. The procedure has been altered for preparing and planning investments and an important role has been assigned to the development of cost accounting in all areas of the national economy. New indicators are being introduced for evaluating enterprise operations including own product and profitability of productive capital. The amount of wages will be determined by these. This will make it possible to more consistently apply the principle of remuneration according to labor. Price policy will fulfill its economic function and correspond to the aims of social policy.

The adopting of taut export plans and increased export effectiveness are to be encouraged by special financial and economic instruments. There will be an adjustment of the foreign exchange rates as well as a revision of wholesale prices for fuel, raw products and certain materials.

The outlined measures require profound changes in the methods of management work and thinking of the people, an increased level of planning and greater responsibility by the leadership for the results of management.

The 16th CPCZ Congress emphasized the need for the broader involvement of the Czechoslovak economy in the international system of the division of labor and a broadening of foreign economic relations, primarily with the CEMA countries. Here, as was said at the congress, it is essential to improve the existing forms of ties as well as seek out new opportunities for direct ties.

In the area of import policy, the CSSR will consistently adhere to strict economy and maximum return. In importing machinery and equipment, the goal has been set of achieving an optimum effect in improving the balance of payments. The responsibility of the central economic bodies and the foreign trade organizations has been increased for the coordinating of exports and imports.

The experience of economic construction in the CEMA countries shows that they are oriented toward taut and realistic development rates, toward the concentrating of capital investments, the introduction of rigid economy and the strengthening of cost accounting.

In carrying out the new measures to improve the economic mechanisms in all the CEMA countries, important significance is to be given to the further development of financial relations. This work is to be carried out in the aim of increasing the impact of finances on mobilizing reserves as well as encouraging the more efficient and economic use of state funds and achieving better end results.

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USSR-CEMA TRADE

STANDING COMMISSION ON FOREIGN TRADE, 1981 MEETINGS

Moscow EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV in Russian No 4, Apr 82
pp 44-46

[Article by Vladimir Koval', CEMA Secretariat: "CEMA Standing Commission on Foreign Trade -- 1981 Meetings"]

[Article] The 60th (March) and 61st (November) meetings of the CEMA Standing Commission on Foreign Trade were held in Moscow in 1981. Participating were delegations from the PRB [People's Republic of Bulgaria], HPR [Hungarian People's Republic], SRV [Socialist Republic of Vietnam], GDR, Republic of Cuba, MPR [Mongolian People's Republic], PPR [Polish People's Republic], SRR [Socialist Republic of Romania], USSR and CSSR [Czechoslovak Socialist Republic], led by the ministers of foreign trade of those countries.

In accordance with the agreement between the Council for Economic Mutual Assistance and the government of the Socialist Federated Republic of Yugoslavia, a SFRY delegation participated in the commission meetings.

Participating in the work of the commission were representatives of the International Bank for Economic Cooperation, the International Investment Bank, and "Interelektro," an organization for economic cooperation in the area of electrical engineering industry.

The meetings were chaired by Soviet Minister of Foreign Trade N. S. Patolichev, chairman of the CEMA Standing Commission on Foreign Trade.

The 60th meeting reviewed progress in carrying out the Comprehensive Program and the tasks of further deepening and perfecting cooperation among CEMA member-nations in the 1980's in the area of foreign trade, and the commission then noted that reciprocal trade among CEMA member-nations relied increasingly on deepening cooperation in the areas of planning activity, material production, science and engineering in 1971-1980, thus facilitating fulfillment of their national economic plans and successful development of their economies and making a big contribution to further deepening and perfecting cooperation and developing socialist economic integration.

In accordance with the LTPC [long-range target program of cooperation] for energy, fuel and raw material, reciprocal trade has to a significant degree met the ever-

growing requirements of a majority of the CEMA member-nations for anthracite, petroleum and petroleum products, iron ore, rolled ferrous metals, coke, non-ferrous metals and chemicals. In this regard, deliveries were made on more advantageous terms than existed at that time in world markets.

During the past 10 years, CEMA member-nations supplied each other with machinery and equipment worth tens of billions of rubles and in 1980 covered two-thirds of their import requirements. Reciprocal deliveries of machinery and equipment did much to ensure successful meeting of obligations under agreements included in the "Coordinated Plan of Multilateral Integration Measures for 1976-1980."

An important role also belongs to reciprocal trade in deepening CEMA member-nation production specialization and cooperation. Thus, more than one-third of 1980 exports of machinery and equipment was accounted for by specialized machinebuilding output, which facilitated carrying out large-scale plans in fuel-energy, chemical, pulp and paper industry and other leading branches of the national economy in the fraternal countries.

Reciprocal deliveries of manufactured consumer goods met more than 60 percent of the import requirements of CEMA member-nations for these goods. In 1980, reciprocal deliveries of machinery, equipment, iron ore and consumer goods accounted for about two-thirds of all imports of these goods by CEMA member-nations.

As was noted at the commission meeting, CEMA member-nation cooperation in the area of foreign trade this past decade was developed in accordance with the Comprehensive Program and was aimed at comprehensively developing trade turnover, further improving the system of planned reciprocal trade regulation, and perfecting practices involved in concluding long-term trade agreements and annual protocols, the price-formation system and the basic documents regulating foreign-trade relations of the CEMA member-nations.

More than half the foreign trade turnover of a majority of the CEMA member-nations in 1971-1980 was accounted for by reciprocal trade.

Reciprocal trade turnover in 1980, the concluding year of the five-year plan, exceeded 120 billion rubles, a 1.7-fold increase over 1975 and a 3.3-fold increase over 1970. This growth occurred primarily through increased actual trade turnover volume.

Reciprocal trade in machinery and equipment was developed at outstripping rates, deliveries increasing two-fold in 1980 as compared with 1975 and 3.7-fold as compared with 1970. This group of goods comprised 41.1 percent of CEMA member-nation exports in 1980, as against 39.7 percent in 1970.

In this regard, the rates of growth in exports of specialized machinebuilding output significantly exceeded the rates of growth in exports of all output of this branch, which ensured seven-fold growth in exports of specialized machinery and equipment in 1980 as compared with 1970, their proportion of all reciprocal trade in this group of goods reaching 35.4 percent in 1980.

Last year, 1981, the first year of the new five-year period, CEMA member-nation foreign trade continued to develop successfully. The bulk of the foreign trade turnover was accounted for by reciprocal trade (54.5 percent in 1981), the volume having increased 11.3 percent as compared with 1980. Reciprocal deliveries of goods in 1981, as in preceding years, met the bulk of the import requirements of a majority of the CEMA member-nations for the most important types of fuel, raw material, machinery and equipment.

The reciprocal trade turnover of CEMA member-nations grew at outstripping rates as compared with the rates of growth in national income and industrial production.

Exports of machinery and equipment are being developed dynamically in CEMA member-nation reciprocal trade.

In this connection, the importance of the influence of reciprocal trade on continuously improving the quality and raising the technical level of specialized output, as well as on improving technical servicing for machinery and equipment being delivered, and especially in supplying spare parts, has increased.

Much attention was paid at the 61st commission meeting to improving the organization of this work, and specific steps aimed at ensuring that obligations as multilateral agreements on production specialization and cooperation are met as concern raising the technical level and improving the quality of specialized output were planned. The foreign trade organizations of CEMA member-nations will pay particular attention when concluding contracts ensuring the delivery of machinery and equipment at a high technical level.

With a view towards improving the technical servicing of machinery and equipment being supplied, CEMA member-nations are expanding the technical servicing, workshop and repair center network on a long-term, planned basis; they are creating spare parts warehouses equipped with computers and are building multi-purpose and branch technical centers.

Taking account of the growing demand for technical servicing and spare parts for machinery and equipment being supplied on a reciprocal-delivery basis, the commission supplemented and changed several provisions of the 1973 General Technical Service Conditions.

As was noted, the 61st commission meeting subordinated all other questions being discussed to the primary task of implementing the decrees adopted at the 35th meeting of the Council Session and the 100th and 101st meetings of the CEMA Executive Committee which defined the primary directions of continued CEMA agency activity.

The commission approved a 1982-1983 work plan which, in light of the tasks set by the Council Session and CEMA Executive Committee, outlined steps aimed at perfecting CEMA member-nation cooperation in the area of reciprocal trade on the basis of long-term trade agreements for 1981-1985, at systematic implementation of the agreements included in the "Coordinated Plan of Multilateral Integration Measures" and the measures of the long-term target programs of cooperation, and at further developing production specialization and consolidation

and cooperation in the area of science and engineering as the mainline for developing cooperation and increasing the reciprocal exchange of goods.

The results of talks held and long-term trade agreements concluded among CEMA member-nations and also with the SFRY for 1981-1985 were also the subject of thorough, comprehensive analysis at the 61st commission meeting.

A broad program of reciprocal deliveries of machinery and equipment, fuel, metals and raw material, chemicals, foodstuffs and manufactured consumer goods, is anticipated in the long-term trade agreements between CEMA member-nations, which were concluded on the basis of coordinating national economic plans and which are closely linked with cooperation in the areas of material production, science and engineering. As in previous years, trade in machinery and equipment remains the most dynamic sector of reciprocal trade, and its rates of growth will exceed the rates of increase in trade turnover as a whole. Implementation of these agreements will facilitate the stable, planned development of the economies of CEMA member-nations and their reciprocal trade.

CEMA member-nation trade with the Socialist Federated Republic of Yugoslavia also received further development. From 1970 through 1980, it increased 5.5-fold. The long-term trade agreements concluded between CEMA member-nations and the SFRY anticipated continued stable reciprocal trade growth on the basis of deepening cooperation. The amount increased more than 20 percent in 1981 as compared with 1980.

In connection with implementation of measures in the "Long-Term Target Program of Cooperation to Meet the Efficient Requirements of CEMA Member-Nations for Manufactured Consumer Goods," the 61st commission meeting discussed questions of expanding reciprocal deliveries of these goods in 1981-1985. The resolutions adopted will facilitate further development of this trade.

The reciprocal exchange of manufactured consumer goods is being developed rapidly: exports of these goods increased nearly 2.8-fold in 1971-1980 as compared with the preceding decade.

Expansion of the products list and increased reciprocal deliveries of manufactured consumer goods, materials and semifinished products for their production have been a result of the implementation of measures in that LTTPC, which has been a big contribution to implementation of the socioeconomic policy of the CEMA member-nation communist and worker parties of raising the standard of living of the peoples of the fraternal countries.

The 1981 commission meetings also examined questions connected with perfecting the system of foreign trade prices, with work on simplifying and standardizing foreign trade documents used in reciprocal trade by CEMA member-nations, and also other important questions involving continued development of CEMA member-nation cooperation in the area of foreign trade.

It was the unanimous opinion of the delegations that the commission meetings were held in an atmosphere of comradely cooperation and genuine mutual understanding.

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USSR-CEMA TRADE

COOPERATION TO SAVE MATERIAL RESOURCES

Moscow EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV in Russian No 3, Mar 82 pp 34-38

[Article by CEMA Secretariat department head Gennadiy Zaytsev: "CEMA Member-Nation Cooperation on Saving Material Resources"]

[Text] The saving and efficient use of material resources are one of the most important directions in which to develop the national economy and increase well-being in the nations of socialism. A protective, thrift-oriented attitude towards the public good and towards raw material, fuel-energy and other material resources acquires particular importance under the increasingly complex management conditions of the 1980's.

The orientation of the economic development of the fraternal countries towards outstripping growth in production results as compared with expenditures, that is, towards intensification of the economy and increasing its efficiency, requires a comprehensive lowering of the energy- and materials-intensiveness of production, the maximum extraction of minerals from the earth, the comprehensive and thorough processing of raw material and fuller use of recovered resources.

Lowering material expenditures in producing commodity output permits a significant savings. Thus, a one-percent savings in material expenditures in 1979 was estimated to have been 260 million leva in the PRB [People's Republic of Bulgaria], 8.3 billion forints in the HPR [Hungarian People's Republic], 2.5 billion marks in the GDR, 32.0 billion zloty in the PPR [Polish People's Republic], 4.6 billion lei in the SRR [Socialist Republic of Romania], 5.2 billion rubles in the USSR and 6.6 billion krona in the CSSR [Czechoslovak Socialist Republic].

In Bulgaria, implementation of the "National Program for the Effective Use of Material Resources in the Seventh Five-Year Plan" permitted the saving of 100,000 tons of rolled ferrous metals, 9,000 tons of steel pipe, more than 30,000 tons of chemicals, 340,000 cubic meters of wood and 73,000 tons of cement in 1976-1978 alone. Assignments for reducing expenditures of raw and other materials, fuel and energy by five percent per year were successfully carried out in 1979-1980. It was stressed at the 12th Bulgarian Communist Party Congress that lowering output energy- and materials-intensiveness and introducing waste-free and low-waste technologies must become a characteristic

feature of the reproduction process in the Eighth Five-Year Plan (1981-1985) and up to 1990.

In Hungary, a system of target programs and materials and energy-carrier economy measures was in effect in 1976-1980. In 1979, for example, we succeeded in significantly slowing the rates of growth in energy consumption: only 0.3 percent, given a planned rate of 3.7 percent. The "National Energy Saving Program" worked out in accordance with a resolution of the 12th Hungarian Socialist Workers Party Congress anticipates a 1985 savings of 1.2 to 1.4 million tons of petroleum and a 1990 savings of three million tons of petroleum per year. During the five years, we propose to increase the collection and utilization of recovered resources by nearly 25 percent.

The 1976-1980 Five-Year Plan for development of the GDR economy set assignments on lowering specific expenditures of the most important types of energy, raw and other materials for manufacturing by an average of three percent. But the actual expenditure of the basic types of energy carriers, raw and other materials per unit of output in 1980 was five percent lower than in 1979. In republic metalworking industry, specific expenditures of rolled ferrous metals have been reduced by more than six percent. In 1980, the annual increment in industrial production was for the first time provided given an absolute reduction in consumption of primary energy carriers, by one percent as compared with 1979.

In accordance with the directives of the 10th SEPG [Socialist Unity Party of Germany] Congress, it is proposed that specific consumption of the basic types of raw material and energy carriers be reduced by five to 5.5 percent in 1981-1985 and of rolled ferrous metals in metalworking industry -- by 6.3 to 6.5 percent. We plan to save 2.0 million tons of rolled ferrous metals, more than 45,000 tons of aluminum, 15,000 tons of copper and one million tons of cement between now and 1985 through the introduction of efficient technological processes and progressive designs. It is anticipated that 12 percent of all the demand for the most important raw material resources will be met on the basis of the comprehensive use of 29-30 million tons of recovered raw and other materials by 1985.

A Commission on the Efficient and Economical Use of Material Resources has been created in the Republic of Cuba and is organizing the development of measures in this area and monitoring their implementation. The "Basic Directions of Economic and Social Development for 1981-1985" for that country which were approved by the 2nd Communist Party of Cuba Congress outline steps to intensify economy practices; in particular, important significance will be attached to perfecting norms of raw and other materials consumption. Much work on saving petroleum and using recovered resources more fully in the sugar and electrical engineering industries will be carried out.

The fuel and lubricants economy program worked out in Mongolia, anticipating a five-percent savings during 1979-1980, has been successfully carried out. The country has decided to improve rate-setting in the national economy. To do this, special rate-setting subdivisions will be created in all organizations and enterprises, as will special subdivisions for developing and monitoring the implementation of assignments on saving the most important types of raw and other materials.

In accordance with the resolutions of the 18th Mongolian People's Revolutionary Party Congress, plan assignments on reducing specific expenditures on production materials have been set ministries, departments, enterprises and economic organizations. The intention is to reduce specific expenditures of liquid fuel for motor vehicle and air transport by an average of at least 40 percent, in agriculture -- by five percent, at thermal electric power plants and in building materials industry -- by two percent; coal expenditures on thermal and electric power generation are to be reduced by 5-6 percent (calculated to reference fuel), cement in construction -- 4-6 percent, lumber -- 4-5 percent and glass -- 5-7 percent.

A number of comprehensive programs to improve the effectiveness of material resources use were in effect in Poland during 1976-1980. As a result, 7.4 million tons of conventional fuel, 2.28 million tons of steel, cast steel and iron, 0.092 million tons of nonferrous metals and 1.8 million tons of cement were saved during 1976-1979. At present, programs on saving and further improving the use of raw and other materials in 1981-1985 are being developed.

The 11th Romanian Communist Party Congress approved target programs for lowering expenditures of material and energy resources, the indicator of electric power expenditure in industry was reduced approximately 12 percent in 1979 as compared with 1975 and the fuel expenditure indicator was reduced by 20 percent as a result of implementation of these programs. In ferrous metallurgy, the finished rolled steel output coefficient rose from 762 to 816.3 kg/t and energy expenditures were reduced by 7-35 percent, depending on the technological processes, during that same period. In machinebuilding, the metal use coefficient was increased from 76 to 82 percent, both through the mastering of progressive technologies with lower metal losses and due to the better use of layout scrap.

In accordance with Romanian Communist Party resolutions at the 12th Congress, we intend to ensure a reduction of at least 40 percent in average power resources expenditure indicators per 1,000 ley of manufactured output in 1981-1990, which will have a substantial influence on growth in the effectiveness of the entire national economy. For the national economy as a whole, the proportion of material expenditures in the social product must be 55.5 percent in 1985, as against 57.7 percent in 1980, which will permit realization of 6.7 to 7.4 percent average annual rates of national income growth.

During the first four years of the 10th Five-Year Plan alone, the USSR national economy saved four million tons of rolled metal, about nine million cubic meters of lumber, 80 million tons of reference fuel, and much other output. During the five-year plan as a whole, the reduction in materials-intensiveness of the social product enabled us to save 11.4 billion rubles worth of raw and other materials, fuel, energy and other objects of labor.

The 26th CPSU Congress set the task of ensuring a savings of 160-170 million tons of reference fuel in the country's national economy in 1981-1985. We intend to lower specific expenditures of rolled ferrous metals in machinebuilding and metalworking by at least 18-20 percent, steel pipe by 10-12 percent, rolled nonferrous metals by 9-11 percent. A resources saving assignment will be set for each union ministry, union republic and enterprise for the current five-year plan.

The CPSU Central Committee and USSR Council of Ministers Decree "On Intensifying Work on Saving Raw-Material, Fuel-Energy and Other Material Resources and Using Them Efficiently" outlines a broad program of long-range actions aimed at further intensifying material resources economy. In particular, concrete measures are being worked out on saving raw-material, fuel-energy and other material resources and using them efficiently, on stricter quality control and on ministry, department, association, enterprise and organization observance of material resources expenditure norms; proposals are being prepared on involving above-plan and surplus commodity-material stocks in economic circulation, on reducing above-plan residual uninstalled equipment, on accelerating circulation capital turnover, and so on.

State programs for the efficient consumption of fuel and energy, ferrous and nonferrous metals were in effect in Czechoslovakia in 1976-1980. As a result, more than one million tons of ferrous metals and about 30,000 tons of nonferrous metals were saved just during 1976-1978. During the five-year period, they managed to save more than 10 million tons of conventional fuel. The "Basic Directions of CSSR Economic and Social Development in 1981-1985" approved by the 16th Communist Party of Czechoslovakia Congress anticipate saving 12 million tons of conventional fuel, two million tons of ferrous metals and approximately 44,000 to 50,000 tons of nonferrous metals during this period.

The data presented testify to the fact that the member-nations of the community are making considerable efforts in the area of saving material resources at the national level. At the same time, in accordance with the principles of socialist economic integration, they are paying considerable attention to solving the problems of efficient material resources use within the CEMA framework. Thus, much work is being done in its committee agencies, standing branch commissions and international organizations on organizing cooperation in the economical, efficient use of material resources.

For example, the CEMA Committee for Cooperation in Planning is working out the problem of efficiently using fuel and energy, including recovered energy resources. The CEMA Committee for Scientific and Technical Cooperation is examining questions of perfecting existing technological processes and equipment for energy-intensive production, transport, municipal and personal services and other areas and developing progressive new ones, of developing and introducing less energy-intensive technological processes and improving the efficiency of energy-using installations. Comprehensive scientific research and experimental design work is also being done under its aegis to seek out effective methods of converting solar, chemical, wind and geothermal energy, on developing magneto-hydrodynamic electric power plants using gas, liquid and solid fuel, and so on.

Organizing CEMA member-nation cooperation on increasing the efficiency with which material resources are used is a priority direction of the activity of the CEMA Committee for Cooperation in Material-Technical Supply. In 1978, this committee worked out a complex of measures and proposals on the efficient and economical use of material resources. The steps outlined in it to increase the efficiency with which 42 basic types of material resources are used are being carried out by CEMA member-nations at the national and international levels.

In 1980, the CEMA Executive Committee reviewed progress in implementing this complex of measures and instructed the indicated committee to intensify its coordination of CEMA agency work on questions of the efficient, economical use of material resources. The committee was also instructed to submit to the CEMA Executive Committee each year generalized information on work done in this area in CEMA agencies.

CEMA member-nation specialists have now prepared a program of cooperation on reducing fuel losses in storage and transport, saving refractory raw and other materials, and expanding the collection and use of scrap and nonferrous metal wastes, recyclable plastics, solid household wastes and other types of material resources.

The CEMA Committee for Cooperation in Material-Technical Supply, as an inter-branch agency, coordinates the work all CEMA agencies do on the problem of using material resources efficiently. At the same time, as a branch agency, the committee prepares recommendations of its own on saving material resources, and in particular, on reducing losses of materials at warehouses and storage facilities, on lowering expenditures of packing and packaging materials when freight is shipped in containers and pallets, on the use of multiple-use transport packaging, and so forth.

Use of the "Products List of Freight Recommended for Containerized and Palletized Shipment" worked out within the committee would permit a savings of one million rubles per year just within the USSR material-technical supply system. Transporting freight in accordance with the "List of Output Recommended for Shipment Unpackaged or in Lightweight Packaging in Containers," now adopted, would provide a significant savings by reducing packaging expenditures. Thus, we could save 48 million rubles in heavy industry each year, 17.6 million rubles in light industry, 2.3 million rubles in agriculture and 0.8 million rubles in food industry.

Specialists of the fraternal countries have worked out the parameters for standardized freight units; these have been used in the USSR to prepare the standard "Types, Basic Parameters and Sizes of Transport Packets for Outsize Freight." This standard institutes unified procedures for forming packets of long output (ferrous and nonferrous metals, lumber), which enables us to mechanize loading-unloading and transport-warehousing operations on the entire shipping route, from supplier to consumer. The economic impact of reducing labor and material expenditures in these operations was 17.5 million rubles for the Soviet national economy as a whole in 1980.

Cooperation in improving the organization, collection, processing and reworking of production and consumption wastes and in developing effective technological processes and specialized equipment is aimed at saving resources. All this permits a significant increase in the volume of procurement and reprocessing of recovered resources and reduces their harmful effect on the environment.

The use of recovered resources is a very important factor of economic management under present conditions. In the Soviet Union, for example, one in every four tons of paper and cardboard and one in every five tons of nonferrous metals and sulfuric acid is produced using recovered raw material. Waste paper

is a high proportion of the material used in paper and cardboard production in other CEMA member-nations as well: 45 percent in Hungary, 42 percent in the GDR, 33 percent in Poland, 28 percent in Romania and 23 percent in Czechoslovakia.

The CEMA Committee for Organizing Cooperation on Questions of the Economical and Efficient Use of Material Resources performs primarily coordinating functions. The main work in this area is done within the framework of the branch CEMA standing commissions. As is known, leaders and specialists of corresponding branch ministries and departments of the CEMA member-nations take part in their work. In recent years, they have prepared and introduced many proposals which have helped increase the effectiveness of resources use. Thus, the PRB, HPR, GDR, PPR, USSR and CSSR now use sealed petroleum and gas collection systems at a number of deposits, which has permitted a reduction in evaporation losses (two- to 2.5-fold in the USSR).

It is now possible to create in a planned manner and on a massive scale new materials with pre-assigned properties, lightweight components and other items which permit purposeful shaping of the materials-consumption structure and, consequently, creation of conditions for lowering the materials-intensiveness of social production. Continued scientific and technical cooperation on questions of saving material resources and the development and introduction of machinery, installations and technologies which will ensure a high technical level of production with minimal expenditures of materials and energy resources and the increased use of recovered resources will help intensify social production.

Use of the experience accumulated in CEMA member-nations on saving resources plays an important role in increasing the effectiveness with which material resources are used. In particular, Comrade L. I. Brezhnev had high praise at the 26th CPSU Congress for GDR experience. Its achievements in this area were greatly facilitated by the close integration ties and the production specialization and cooperation within the CEMA framework.

A system of measures encompassing questions of planning and setting rates for the expenditure of materials, scientific-technical developments, the use of recovered resources, stimulating the results obtained, and others, is now in effect in the GDR in the area of saving resources.

The organization of long-range materials resources economy planning, which is being done under the leadership of the Ministry of Materials Management and the State Planning Commission by industrial ministries, other central agencies and scientific organizations of the GDR, has recommended itself well in practice. Given long-range planning, we are able to determine with better substantiation the basic directions and measures for saving resources, to establish and coordinate interbranch ties. The country has worked out an effective resources use concept which is taken into account when drawing up the five-year plan.

The GDR periodically reviews material resources expenditure norms in various branches of industry. As a result, the cost of commodity output during the first nine months of 1980 increased 8.2 percent as compared with the preceding period, while materials expenditure increased only 1.2 percent. And energy consumption actually decreased. Jointly with the Ministry of Science and Technology,

the Ministry of Materials Management calculates expenditure norms for 46 basic types of raw and other materials with consideration of world trends in the use of material resources.

In solving problems of saving materials, particular attention is paid to developing lightweight components. The Institute of Lightweight Components and the Economical Use of Materials in Dresden has created a corresponding data bank. It is used by about 1,000 enterprises. The availability of such a bank makes it easier for designers to choose optimal materials.

One important task of the above-mentioned institute is to develop progressive methods of calculating the technical-economic specifications of lightweight components and to standardize them. The use of these methods to determine dynamic strength, for example, permits an average two- to five-percent reduction in materials expenditure. It has been proposed that these methods of calculation be extended to machinebuilding.

GDR experience in the use of recovered raw material and scrap has won broad recognition. The country smelts 70-75 percent of its steel, 37 percent of its copper, approximately 45 percent of its lead and nearly 20 percent of its zinc from scrap metal. More than 40 percent of all paper consumed is returned to production. The population salvages upwards of 80 percent of the paper used in the publication of periodicals. The reuse of glass containers meets nearly 70 percent of the packing requirements for preserves and beverages. The recycling of 100 million bottles and cans saves 30,000 tons of glass sand, 18 million kilowatt-hours of electricity, 15 million cubic meters of gas, 20,000 tons of soda and 6,000 tons of fuel oil. Moreover, the capital investments which would have been required to extract raw material and produce containers are freed for other uses.

The GDR Ministry of Materials Management's Scientific Research Institute of Recovered Raw Material Use in Berlin has developed a "Recovered Raw Material Use Data System." It enables any combine, plant, ministry of scientific research institute to quickly obtain information on the most important physico-chemical and technological properties of 400 types of recovered raw material and wastes. The institute provides information on scientific research being done in this area in the GDR and in other CEMA member-nations. The leaders of all GDR enterprises are legally obligated to report to the institute each year data on the amount of manufacturing scrap obtained and its reuse in production.

Microprocessors are widely used in production and everyday life in the GDR, permitting a reduction in fuel and energy expenditures and the creation of optimal conditions for their consumption at enterprises and in the housing and municipal services sphere.

The country has worked out an effective system of material incentives for saving raw material. In particular, the enterprise social development fund receives 40 percent of the amount saved by reducing energy consumption and 15 percent of the value of raw and other materials saved.

The economic interaction of CEMA member-nations on questions of the effective use of material resources can be improved foremost by intensifying scientific-

technical and economic cooperation at the national and international levels on questions of the fuller and more effective use of fuel-energy and raw material resources, including recovered ones, on developing progressive, resources-conserving types of equipment and technology, and on improving the exchange of information on material resources use in CEMA countries, and so forth. .

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ECONOMIC RELATIONS BETWEEN USSR, DEVELOPING COUNTRIES REVIEWED

East Berlin AW-DDR AUSSENWIRTSCHAFT in German No 27, 30 Jun 82 pp 1-3

[Article by Dr Hoell: "Deepening Equal and Mutually Advantageous Economic Links"]

[Text] Long-term arrangements, stability and complexity increasingly mark the relations with developing countries. Trade quadrupled in the last decade. Effective aid in developing national economies. Exemplary trade and economic relations with India

Assisting the national liberation movement is a general policy line of the CPSU and the Soviet state. On that basis, the USSR actively supports the development and deepening of economic and scientific-technical cooperation with the developing countries based on justice and equality. It attaches great importance to steadily improving the efficiency of these relations for mutual advantages. That is served by foreign trade, by support in establishing industrial and agricultural installations, the training of national personnel and the implementation of long-term industrial cooperation agreements. The 26th CPSU Congress, much like the 25th, paid tribute to the considerable development of cooperation with countries that freed themselves from the colonial yoke as an important result. Not only the dimension of such cooperation have been extended. It is also increasingly being marked by such qualitative criteria as long-term arrangements, stability and complexity, and economic effectiveness for mutual benefit.

The stable and dynamic development of foreign trade reflects this upswing in cooperation. USSR trade with developing countries doubled in the first half of the 1970's and had by 1980 quadrupled since 1970. The 1980's started with an especially high growth rate. In 1981, the foreign trade volume was by 37.5 percent higher than in the previous year.

In the 1970's the developing countries held on the average a circa 12-percent share in overall USSR foreign trade; that share rose to 15 percent in 1981.

Important bases for this development in foreign trade were laid by the signing of long-term government treaties and agreements providing for the further development of trade relations and economic and scientific-technical assistance. These treaties and agreements establish a good basis for coordinating the planned development of

the USSR economy with the developmental programs of the young states. They help the developing countries restrain the effects of capitalist crises on their foreign trade and the despoliation of their economies by imperialist monopolies; they help improve the effectiveness of their foreign trade relations.

The number of economic partners with whom the USSR cooperates on the basis of such long-term interstate treaties and agreements rose from 14 in 1960 to 40 in 1970 and 65 in 1981. In recent years, such governmental accords were signed with Angola, Ethiopia, Mozambique, Afghanistan, South Yemen, Syria and the People's Republic of Congo. Negotiations are under way on the all-round development of economic co-operation with Libya, Mexico, Jordan and other states.

Within the scope of these accords, the USSR in the 1970's gave all-out aid and assistance especially to Afghanistan, South Yemen, Angola, Ethiopia and Mozambique. Despite all attempts made by imperialism to halt, through economic and political pressure, progressive developments in these states that have taken the socialist way of development, and their cooperation with the USSR, especially good advances were made. They will continue to be a priority throughout the 1980's in the USSR's economic relations with developing countries.

The great political changes in Africa energized the USSR's commercial and economic relations in the 1970's particularly with the states on that continent. The USSR has trade relations with 47 of the 51 independent African states, 38 of which are based on state trade agreements. In 1980, the foreign trade turnover came to R 2 billion, compared with R 1.4 billion in 1975. The most dynamic development came in the trade with Angola, Algeria, Libya, Morocco, Mozambique, Nigeria and Ethiopia. Good prospects exist for expanding and deepening these economic relations in the 1980's.

International detente helped expand Soviet trade relations with Latin American countries. In 1980, the USSR traded with 14 Latin American countries and reached a turnover of R 80 million. In 1980, it already amounted to 27 countries, the turnover rising to nearly R 1.7 billion. The USSR wants to extend these relations in the 1980's and place its cooperation with Latin American trading partners on long-term contractual bases. In 1981, foreign trade with Argentina, mainly because the Soviets bought large volumes of grain and other farm products, reached a record of R 2.4 billion. Thereby, gaged against the foreign trade volume, Argentina in 1981 shared the top spot with India among developing countries maintaining trade relations with the USSR. The USSR, in concert with its Argentine partner, seeks to continue mutually advantageous economic relations and an increase and diversification of its exports to Argentina, especially in the form of machinery and equipment. Soviet exports to Argentina in 1981 mainly were machines and equipment, e.g. for the Salto Grande hydroelectric plant and the thermoelectric plants of Costanera and Baja Blanca.

Exemplary Trade and Economic Relations With India

Measured in terms of the scope and the qualitative level attained in economic relations, India maintained in 1981 the position it already held in 1980 as the most important trade and economic partner among the developing countries and extended it further. The trade volume grew from R 1.7 billion in 1980 to nearly R 2.4 billion in 1981. Along with it, in the USSR's relations with India, general

developmental trends and new qualitative traits in the USSR's economic and scientific-technical cooperation with developing countries are making themselves most prominently felt.

That applies, e.g., to long-term arrangements and to the stability and dynamics of cooperation based on government contracts and accords.

Since the start of steady commercial and economic relations with India in the mid-1950's up to the present, trade has grown circa hundred fiftyfold. By 1980, the foreign trade volume had nearly quintupled in comparison with 1970, and it came to 2.7 times as much as it had been in 1976. Trade between the two countries is carried on while based on long-term trade agreements, concluded for 5 years at a time and specified by annual protocols. Clearing comes in Indian national currency. The framework for the complex long-term development of economic relations, including trade, is set through long-term accords and cooperation programs. In late 1973, the long-term agreement on the further development of economic and commercial cooperation was signed and, in 1979, the long-term program for cooperation in the economy, commerce, science and technology, which will run between 10 and 15 years. Among other things it contains the task to increase the speed of growth in Soviet-Indian trade to from 1.5 to 2 times in the 1981-1985 period of what it was in the preceding five-year plan. It furthermore sets down many tasks for deepening and expanding the cooperation in industry, agriculture and other economic areas, which will increasingly characterize the development of their mutual trade. It has already been specified and supplemented by several accords and protocols for the 1981-1985 period.

Economic and Technical Assistance Strengthens Production Potential

A fundamental concern of the USSR lies in strengthening and bolstering the economic and political independence of the developing countries. Concentrating in the hands of the state a considerable part of the ownership in the means of production--especially in the crucial areas and branches of the economy--creates optimum prerequisites for actively opposing foreign monopolies and securing the power of disposition over national natural resources, mobilizing domestic reserves for economic development and gaining the necessary experiences for the development, management and control of the economy. That is why a basic trend in the USSR's cooperation with developing countries lies in concentrating economic and technical assistance in the state sector and decisive economic areas and branches. Some 90 percent of the means allocated by the USSR's economic and scientific-technical cooperation agreements with developing countries is therefore channeled into the production sphere, and more than three-fourths of it into industry and the energy sector. More than half of the means will be used for the construction of heavy industry enterprises.

As of 1 January 1981, government agreements envisaged Soviet assistance in the construction of 1,193 projects in developing countries, of which 680 already have been put into operation. These projects, built with the assistance of the USSR, in most cases form the basis for the state sector and the national economy on the whole. Mainly basic industrial branches are created and strengthened in the energy economy, ferrous and nonferrous metallurgy, machine building, the chemical and petrochemical industry, and the light and foodstuffs industry. With it, the

USSR is making an important contribution to agricultural development, solving the food supply problem, and the construction and development of the infrastructure in developing countries. Between 1976 and 1980 alone, 2,700 megawatt power plant capacities were put into operation, 19 energy blocks with separate capacities between 55 and 315 megawatts, including countries like Syria, Iraq, Iran, Bangladesh and Pakistan.

Great importance also attaches to the cooperation with the USSR in opening up natural resources. Among the contracts signed between 1976 and 1980 was one for exploring natural gas deposits in Afghanistan (with an output capacity of 1.5 billion m³/a) and two petroleum deposits in Iraq (with an output capacity of 44.5 million/a). Completely put into operation were a bauxite extraction complex (2.5 million t/a) in Guinea, a surface working plant with dressing capacities for extracting a 30,000-ton lead-zinc concentrate in the Congo, and petroleum and natural gas deposits in Syria. One-fourth of all oil drilling in Algeria was carried out with large drill equipment from the USSR. A significant contribution to oil drilling with Soviet equipment also was made in Libya and other countries.

Considering that in most developing countries primary accumulation sources and reserves for the all-round development of the national economy can be tapped only if the supplies in mineral raw materials and fuels are explored, extracted and actively used, the USSR is providing active support for that. In contrast to imperialist states, it always respects the principle of a country's sovereignty over its natural resources and its right to dispose of its natural resources in its national interest. Also in providing national capacities for an enhanced refinement of their raw materials, the developing countries receive USSR assistance.

In cooperation with the USSR, India, e.g., was able to develop a national oil extraction and processing industry. Between 1959 and 1976, a total of 35 natural gas and petroleum deposits were discovered and more than 4.5 billion square meters of natural gas and circa 45 million tons of petroleum were extracted, in 1976, approximately 9 million tons. Furthermore, at the same time, India's petroleum processing industry was set up and developed with Soviet support, where the state sector holds a share of more than 90 percent. Enterprises set up that way at Barauni and Koyali in the mid-1970's processed annually approximately 3 million tons of petroleum and satisfied almost 25 percent of the country's needs in petroleum products. In the second half of the 1970's, Soviet assistance allowed them to complete the largest petroleum processing plant in the country and in all of Southeast Asia. It has an annual processing capacity for 6 million tons of petroleum. Through its being put into operation and with the development of already existing enterprises the total capacity of the processing plants built with technical aid from the USSR will exceed 16 million t/a. In 1980, the enterprises set up through USSR cooperation already produced 70 percent of India's petroleum products.

In other important economic branches as well, production largely depends on advantageous cooperation with the USSR. The circa 70 enterprises set up in India this way in 1980 produced circa 85 percent of all heavy machine construction products, 60 percent of the turbogenerators and large electrical equipment, 31 percent of the steel, 20 percent of electrical energy, and 16 percent of the iron ore. But decisive for India's interest in extending its cooperation with the USSR

is not merely the importance these relations have for the production volumes of particular enterprises and the increasing volume of national output, but also for enhancing production efficiency. The state enterprises built with Soviet aid are among the most efficient in the country. The well known Bhilai metallurgical plant, e.g., is the most lucrative enterprise in all of India's metallurgical industry.

It also has a lot to do with the lucrativeness of enterprises built with Soviet aid that the USSR simultaneously trains many national workers, even while the plants are being built or immediately after they go into operation. There have been 850,000 citizens of developing countries who got specialized training in various forms. The USSR has supported 26 developing countries in setting up 143 teaching institutions, including 21 universities and 18 technical schools that have already had more than 37,000 graduates. In 104 vocational training centers more than 260,000 specialists have thus far been trained. Right now, the USSR helps in setting up another 88 teaching institutions. More than 40,000 workers had by 1981 completed their studies at Soviet universities and technical schools. Circa 18,000 persons received vocational or technical training in Soviet enterprises and institutes.

The Commodity Structure of the Trade Is Increasingly Determined by the Results in Economic Cooperation

The concern of the USSR to strengthen through its cooperation the developing countries' economic and political independence also marks the commodity structure in their mutual trade. The scientific-technical assistance the USSR gives these countries, for one thing, determines the structure of Soviet exports. Machines and equipment predominate. A high share and great increase rates here go to complete aggregates for enterprises established with Soviet aid. Especially in the second half of the 1970's the volume of such exports increased significantly. The share of complete aggregates in the overall Soviet export of machines and equipment to developing countries rose from 51.7 percent in 1976 to 59.1 percent in 1979. The USSR furthermore supplies the developing countries with semifabricates and fuels and raw materials. India, e.g., imports petroleum and petroleum products, nitrogen and potash fertilizer, nonferrous metal and newsprint.

Primarily the Soviet deliveries in machines and equipment create a good basis for an increasing diversification in the production and export structure of the developing countries. Credits granted by the USSR for setting up installations are redeemed by means of traditional export commodities as well as by the products manufactured in those enterprises. More than 20 percent of all USSR imports from developing countries has in recent years come from such enterprises. For such commodities the USSR forms a stable and constantly enlarging sales market, which is of special advantage for the developing countries also because of the crisis and increasing protectionism of the capitalist industrial countries. The palette of USSR import commodities from developing countries includes mineral raw materials, metals and raw materials for manufacturing consumer goods for the masses, products of tropical agriculture such as cacao beans, caoutchouc, coffee, tea, tropical fruit and, increasingly, also finished products. Those are mainly consumer goods like textiles and shoes. Yet even products of machine building under development are being imported. Their economic importance to the USSR is increasing more and more.

In the USSR's relations with India, the tendency toward increasing and expanding the proportion of industrial products and the increasing diversification are already clearly in evidence. The USSR is already importing pharmaceuticals, cosmetics, knitted goods, cotton fabrics, car batteries, cable, polygraphic equipment and other industrial goods. To boost that tendency, the USSR and India also resort more and more to new forms of cooperation, such as production cooperation. The Indian enterprises for heavy machine construction in Ranchi and for mining equipment in Durgapur, e.g., which were built with Soviet aid, receive large-scale orders from the USSR on producing metallurgical and other equipment. Such imports the USSR intends to use for its own economy and also for equipping projects set up with its aid in Bulgaria, Yugoslavia, Turkey and other countries.

On a relatively broad basis since the late 1960's and the 1970's also has been developed USSR cooperation with the developing countries in terms of mutual advantageous compensation agreements. Late in the 1970's, circa 30 compensation agreements had been signed. That includes the agreement with Iran on natural gas (1966), with Guinea on bauxite (1969), with Syria and Iraq on petroleum (1969, 1975), with Algeria on aluminum (1976) and with Morocco on phosphate (1978).

The economic and technical cooperation agreement L. I. Brezhnev signed during his friendship visit to India in December 1980 envisages for the 1981-1985 period, among other things, assistance in setting up an aluminum plant with an annual capacity between 600,000 and 800,000 tons and other projects on a compensation basis. Cooperation on a compensation basis also is planned for the 1980's in non-ferrous metallurgy and the foodstuffs and medical industries.

Through the extensive projects the USSR has contracted for and vested in its long-term government accords and agreements and in its economic planning, the economic relations with developing countries are going to be further developed, qualitatively and quantitatively, through the 1980's, for mutual advantages, and deepened.

Foreign Trade With Developing Countries

| | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|----------|-------------------|-------|-------|-------|-------|-------|--------|--------|
| | in million rubles | | | | | | | |
| Turnover | 2,982 | 6,309 | 6,545 | 8,334 | 8,546 | 9,480 | 11,962 | 16,446 |
| Export | 1,836 | 3,310 | 3,740 | 5,337 | 5,715 | 6,291 | 6,870 | 8,669 |
| Import | 1,146 | 2,999 | 2,805 | 2,997 | 2,831 | 3,189 | 5,092 | 7,777 |

In percent (1970=100)

| | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|-----|
| Turnover | 100 | 212 | 220 | 280 | 287 | 318 | 401 | 552 |
| Export | 100 | 180 | 204 | 291 | 311 | 343 | 374 | 472 |
| Import | 100 | 262 | 245 | 262 | 247 | 278 | 444 | 679 |

Share of National Economic Branches in Total USSR Aid to Developing Countries

| | in percent |
|------------------------------------|------------|
| Industry | 76.3 |
| Agriculture | 5.5 |
| Transportation/Telecommunication | 7.4 |
| Geology and Geological Exploration | 4.9 |
| Science, Education and Health | 5.4 |
| Other Branches | 0.5 |

(Source: I. Kapranov, "Cooperation in Development," UDSSR AUSSENHANDEL, No 6, 1981, p 9), status as of 1 January 1981.

Number of Projects Built With USSR Aid in Developing Countries or to Be Built in Accordance With Agreements Contracted (status as of 1 January 1981, Source: USSR Economy in 1980, Statistical Yearbook, Finances and Statistics Publishing house, Moscoe, 1981, p 542)

| | Contracted | of them, already in operation |
|--|------------|-------------------------------|
| Total | 1,193 | 680 |
| Industry | 501 | 300 |
| Electrical energy | 104 | 62 |
| Ferrous metals | 22 | 16 |
| Nonferrous metals | 17 | 8 |
| Coal industry | 31 | 16 |
| Petroleum processing industry | 10 | 8 |
| Chemical and petrochemical | 6 | 5 |
| Machine construction and metal working | 66 | 44 |
| Construction materials industry | 36 | 15 |
| Light industry | 25 | 10 |
| Foodstuffs industry | 58 | 32 |
| Milled and mixed fodder industry | 67 | 47 |
| Agriculture | 152 | 73 |
| Transportation/Communication | 130 | 72 |
| Education, Culture, Health, Sports | 276 | 160 |
| Housing and communal economy | 13 | 8 |

Enterprise Capacities Built With USSR Aid in Developing Countries or to Be Built in Accordance With Agreements Contracted (status as of 1 January 1981, Source: USSR Economy in 1980, Statistical Yearbook, Finances and Statistics Publishing House, Moscow, 1981, pp 543-544; I. Kapranov, "Cooperation in Development," UNOSR AUSSEN-HANDEL, No 6, 1981, p 8).

| | Volume | Contracted | of them, in operation already |
|--|----------------------------------|------------|-------------------------------|
| Electrical energy (capacity installed) | million kilowatt | 19.4 | 7.4 |
| Crude iron | million tons | 27.0 | 10.7 |
| Steel | million tons | 26.1 | 9.7 |
| Rolled stock | million tons | 21.7 | 7.5 |
| Iron ore | million tons | 13.0 | 13.0 |
| Petroleum (processing) | million tons | 23.0 | 11.6 |
| Coal | million tons | 50.3 | 4.8 |
| Coke | million tons | 20.3 | 8.8 |
| Tractors | 1,000 units | 10 | 10 |
| Fertilizer | 1,000 tons | 105 | 105 |
| Sulphuric acid | 1,000 tons | 120 | 120 |
| Cement | million tons | 4.4 | 0.7 |
| Large block housing construction | 1,000 square meters housing area | 3,495 | 405 |
| Railroad lines | km | 2,099 | 1,709 |
| Grain silos | 1,000 tons content | 1,373 | 788 |
| Soil cultivation | 1,000 hectare | 737.8 | 156.4 |

Export to Developing Countries of Equipment and Materials for Complete Enterprises

| | in billion rubles |
|---------|-------------------|
| 1961-65 | 1.01 |
| 1966-70 | 1.44 |
| 1971-75 | 1.88 |
| 1976-80 | 3.24 |

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